Exhibit B

Excerpted Wyndham 2018 Form 10-K

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K
(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2018
or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from____ to ____
Commission File Number. 001-32876

WYNDHAM DESTINATIONS, INC.
(Exact name of Registrant as Specified in Its Charter)

DELAWARE	**20-0052541**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
6277 Sea Harbor Drive	**32821**
Orlando, Florida	(Zip Code)
(Address of Principal Executive Offices)	

(407) 626-5200
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each Class	Name of each exchange on which registered
Common Stock, Par Value $0.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐		
		Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. Yes ☐ No ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant as of June 30, 2018, was $4,357,367,362. All executive officers and directors of the registrant have been deemed, solely for the purpose of the foregoing calculation, to be "affiliates" of the registrant.

As of January 31, 2019, the registrant had outstanding 94,462,996 shares of common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our Proxy Statement prepared for our 2019 Annual Meeting of Shareholders are incorporated by reference into Part III (Items 10, 11, 12, 13 and 14) of this report .

Table of Contents

TABLE OF CONTENTS

Table of Contents

GLOSSARY OF TERMS

The following terms and acronyms appear in the text of this report and have the definitions indicated below:

Adjusted EBITDA	A non-GAAP measure, defined by the Company as Net income before Depreciation and amortization, Interest expense (excluding Consumer financing interest), Early extinguishment of debt, Interest income (excluding Consumer financing revenues) and Income taxes, each of which is presented on the Consolidated Statements of Income. Adjusted EBITDA also excludes stock-based compensation costs, separation and restructuring costs, transaction costs, impairments, and items that meet the conditions of unusual and/or infrequent.
AOCI	Accumulated Other Comprehensive Income
AOCL	Accumulated Other Comprehensive Loss
ARDA	American Resort Development Association
Barclays	Barclays Bank PLC
Board	Board of Directors
Buyer	Compass IV Limited, and affiliate of Platinum Equity, LLC
CCPA	Consumer Privacy Act of 2018
CMP	Community Marketing Presence
Company	Wyndham Destinations, Inc. and its subsidiaries
COSO	Committee of Sponsoring Organizations of the Treadway Commission
EBITDA	Earnings Before Interest, Income Taxes and Depreciation/Amortization
EPS	Earnings Per Share
Exchange Act	Securities Exchange Act of 1934
FASB	Financial Accounting Standards Board
FICO	Fair Isaac Corporation
GAAP	Generally Accepted Accounting Principles in the United States
GDPR	General Data Protection Regulation
HFS	Hospitality Franchise Systems
IRS	United States Internal Revenue Service
La Quinta	La Quinta Holdings Inc.
LIBOR	London Interbank Offered Rate
Moody's	Moody's Investors Service, Inc.
NM	Not meaningful
NQ	Non-Qualified stock options
NYSE	New York Stock Exchange
PCAOB	Public Company Accounting Oversight Board
PSU	Performance-vested restricted Stock Units
RSU	Restricted Stock Unit
ROU	Right-of-use
S&P	Standard & Poor's Rating Services
SAB	SEC Staff Accounting Bulletin
SEC	Securities and Exchange Commission
SOFR	Secured Overnight Financing Rate
SPE	Special Purpose Entity
Spin-off	Spin-off of Wyndham Hotels & Resorts, Inc.
SSAR	Stock-Settled Appreciation Rights
U.S.	United States of America

U.S. Tax Reform	Tax Cuts and Jobs Act
VIE	Variable Interest Entity
VOI	Vacation Ownership Interest
VPG	Volume Per Guest
Wyndham Hotels	Wyndham Hotels & Resorts, Inc.
Wyndham Destinations	Wyndham Destinations, Inc.
Wyndham Worldwide	Wyndham Worldwide Corporation

Table of Contents

PART I

Forward Looking Statements

This report includes "forward-looking statements" as that term is defined by the Securities and Exchange Commission ("SEC"). Forward-looking statements are any statements other than statements of historical fact, including statements regarding our expectations, beliefs, hopes, intentions or strategies regarding the future. In some cases, forward-looking statements can be identified by the use of words such as "may," "will," "expects," "should," "believes," "plans," "anticipates," "estimates," "predicts," "potential," "continue," "future" or other words of similar meaning. Forward-looking statements are subject to risks and uncertainties that could cause actual results of Wyndham Destinations, Inc. to differ materially from those discussed in, or implied by, the forward-looking statements. Factors that might cause such a difference include, but are not limited to, general economic conditions, the performance of the financial and credit markets, the economic environment for the timeshare industry, the impact of war, terrorist activity or political strife, operating risks associated with the vacation ownership and vacation exchange and rentals businesses, uncertainties related to our ability to realize the anticipated benefits of the spin-off of Wyndham Hotels & Resorts, Inc. ("Spin-off") or the divestiture of our European vacation rentals business, unanticipated developments related to the impact of the spin-off, the divestiture of our European vacation rentals business and related transactions on our relationships with our customers, suppliers, employees and others with whom we have relationships, unanticipated developments resulting from possible disruption to our operations resulting from the spin-off and the divestiture of our European vacation rentals business, the timing and amount of future dividends and share repurchases and those disclosed as risks under "Risk Factors" in documents we have filed with the SEC, including in Part I, Item 1A of this report. We caution readers that any such statements are based on currently available operational, financial and competitive information, and they should not place undue reliance on these forward-looking statements, which reflect management's opinion only as of the date on which they were made. We undertake no obligation to review or update these forward-looking statements to reflect events or circumstances as they occur.

Where You Can Find More Information

We file annual, quarterly and current reports, proxy statements, reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and other information with the SEC. Our SEC filings are available free of charge to the public over the Internet at the SEC's website at http://www.sec.gov. Our SEC filings are also available on our website at http://www.WyndhamDestinations.com as soon as reasonably practicable after they are filed with or furnished to the SEC.

We maintain an internet site athttp://www.WyndhamDestinations.com. Our website and the information contained on or connected to that site are not incorporated into this Annual Report.

ITEM 1. BUSINESS

Company Overview

We are the world's largest vacation ownership and exchange company. We offer everyday travelers the opportunity to own, exchange or rent their vacation experience while enjoying the quality, flexibility and value that we deliver. Our global presence in approximately 110 countries means more vacation choices for our over four million members and owner families, with 224 resorts that offer a contemporary take on the timeshare model - including vacation club brands Club Wyndham, WorldMark by Wyndham, and Margaritaville Vacation Club by Wyndham - over 4,300 affiliated resorts through RCI, the world's leader in vacation exchange, and over 9,000 rental properties from coast to coast through Wyndham Vacation Rentals, North America's largest professionally managed vacation rental business.

Recent Developments

European Vacation Rentals Business

We sold our European vacation rentals business on May 9, 2018.This sale resulted in final net proceeds of$1.06 billion and an after-tax gain of$456 million, net of$139 million in taxes. We have provided post-closing credit support in order to ensure that Platinum Equity, LLC (the "Buyer") meets the requirements of certain service providers and regulatory authorities. The results of operations of this business have been classified as discontinued operations on the Consolidated Financial Statements. For further details see Note 6—*Discontinued Operations* to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

Hotel Business Spin-off

We completed the spin-off of our hotel business on May 31, 2018, which resulted in our operations being held by two separate, publicly traded companies. The two public companies have entered into long-term exclusive license agreements to retain their

affiliations with one of the industry's top-rated loyalty programs, Wyndham Rewards, as well as to continue to collaborate on inventory-sharing and customer cross-selling initiatives. This transaction is expected to result in enhanced strategic and management focus on the core business and growth of each company; more efficient capital allocation, direct access to capital and expanded growth opportunities for each company; the ability to implement a tailored approach to recruiting and retaining employees at each company; improved investor understanding of the business strategy and operating results of each company; and enhanced investor choice by offering investment opportunities in separate entities. This transaction was effected through a pro rata distribution of the new hotel entity's stock to existing Wyndham Destinations shareholders. The new hotel company was named Wyndham Hotels & Resorts, Inc. ("Wyndham Hotels"). As a result of the Spin-off, we have classified the results of operations of our hotel business as discontinued operations on the Consolidated Financial Statements. For further details see Note 6—*Discontinued Operations* to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

North American Vacation Rentals Business

During 2018, the Company decided to explore strategic alternatives for its North American vacation rentals business and during the fourth quarter commenced activities to facilitate the sale of this business. The assets and liabilities of this business have been classified as held-for-sale as of December 31, 2018. This business does not meet the criteria to be classified as a discontinued operation; therefore, the results were reflected within continuing operations on the Consolidated Statements of Income. For further details see Note 7—*Held-for-Sale Business* to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

Board of Director Changes

In connection with the Spin-off, on May 31, 2018, (i) Myra J. Biblowit, The Right Honourable Brian Mulroney and Pauline D.E. Richards resigned from the Company's Board of Directors; (ii) Michael D. Brown, Denny Marie Post and Ronald L. Rickles were appointed to the Company's Board of Directors and (iii) Stephen P. Holmes was appointed to the new position of Non-Executive Chairman of the Company's Board of Directors. In addition, the composition of the Audit Committee, the Compensation Committee, the Corporate Governance Committee and the Executive Committee of the Company's Board of Directors is now as follows:

Audit Committee	***Corporate Governance Committee***
Michael H. Wargotz (Chair)	George Herrera (Chair)
Louise F. Brady	Denny Marie Post
George Herrera	Ronald L. Rickles
Ronald L. Rickles	

Compensation Committee	***Executive Committee***
Louise F. Brady (Chair)	Stephen P. Holmes (Chair)
James E. Buckman	Michael D. Brown
Denny Marie Post	James E. Buckman
Michael H. Wargotz	Michael H. Wargotz

Management Changes

In connection with the Spin-off, on May 31, 2018, Stephen P. Holmes resigned as Chief Executive Officer, Geoffrey A. Ballotti resigned as President and Chief Executive Officer of Wyndham Hotel Group, David B. Wyshner resigned as Executive Vice President and Chief Financial Officer, Gail Mandel resigned as President and Chief Executive Officer of Wyndham Destination Network, LLC and Nicola Rossi resigned as Chief Accounting Officer. As previously announced, in August 2017, Thomas G. Conforti ceased serving as Chief Financial Officer of the Company and transitioned into a senior advisory role, from which he resigned five days after the completion of the Spin-off. In addition to being appointed as Non-Executive Chairman of the Company's Board of Directors, Stephen P. Holmes was appointed as the Non-Executive Chairman of the board of directors of Wyndham Hotels. Mr. Ballotti, Mr. Wyshner and Mr. Rossi were appointed to similar positions at Wyndham Hotels.

The following individuals were appointed to serve as executive officers of the Company effective upon the completion of the Spin-off.

Officer	*Position*
Michael D. Brown	Chief Executive Officer and President
Michael A. Hug	Chief Financial Officer
Elizabeth E. Dreyer	Senior Vice President and Chief Accounting Officer

Continuing Operations

Following the sale of the European vacation rentals business and the spin-off of the hotel business, our continuing operations are grouped into two segments: Vacation Ownership and Exchange & Rentals.

- ***Vacation Ownership*** is the world's largest timeshare business, with 224 resorts and approximately 880,000 owners. We develop and market Vacation Ownership Interests ("VOIs") to individual consumers, provide consumer financing in connection with the sale of VOIs and provide property management services at resorts.
- ***Exchange & Rentals*** operates the world's largest vacation exchange network, with approximately 3.8 million members, and is a leading provider of professionally managed vacation rentals in North America. Our vacation exchange business has relationships with over 4,300 vacation ownership resorts located in approximately 110 countries and territories, and our vacation rentals business offers North American-based rental properties in over 50 destinations. This is primarily a Fee-for-Service business that provides stable revenue streams and produces strong cash flow.

Our business segments generate a diversified revenue stream and significant cash flow. Approximately 41% of our revenues are generated from our fee-for-service businesses. We derive our fee revenues principally from (i) the sale of VOIs and related financing, (ii) providing property management services to Vacation Ownership resorts, (iii) providing vacation exchange and rentals services and (iv) providing services under our Fee-for-Service model in our timeshare business.

All of our businesses have both domestic and international operations. During 2018, we derived 89% of our revenues in the United States ("U.S.") and 11% internationally. For a discussion of our segment revenues, profits, assets and geographical operations, see Note 23—*Segment Information* to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

Business Strategy

Following 2018's successful launch of Wyndham Destinations as a separate company, we believe we are in a strong position to build on this momentum in 2019 and beyond. Our Wyndham Destinations strategic pillars serve to clarify our top priorities in order to enhance shareholder value and return capital to our shareholders through share repurchases and dividends. The four Strategic Pillars affirm our mindset that customers must dominate our focus, while also reflecting our relentless drive for superior sales and marketing, exceptional brands and products, as well as our commitment to operate all areas of the business with excellence.

Our execution of this strategy is firmly anchored by our culture - the foundation comprised of the shared values, competencies and spirit of our global team. Aligned with our vision to put the world on vacation, our values are the HEART of Wyndham Destinations: Hospitality, Engagement, Accountability, Respect, Teamwork. We recognize that our impact on customers, associates and communities strengthens lives. Wyndham Destinations thrives upon the commitment of our 24,000+ associates, and we foster a culture that unlocks the full potential for success as a company, and as individual and team contributors.

1. Customer Obsession

Far beyond a hospitality initiative, Customer Obsession is our global credo that the Wyndham Destinations team puts affiliates, owners, members and guests first in all areas of our business. Three straightforward guidelines support this focus and underscore our commitment to excellence in customer service:

- <u>*Make It Easy*</u> reminds us of the fact that simple is better. Not only will it be easy to do business with us, we will pursue synergies within the company that benefit our customers. The alignment of our team, systems and operations enables us to deliver better customer experiences.
- <u>*Know Our Customers*</u> reflects our priority to understand customer preferences, personalize engagement and fulfill expectations. By leveraging integrated data to tailor the content and channels of customer communications, we will customize connections at every opportunity.

- *Customer, Customer, Customer* is all about keeping the customer at the center of our focus. Our commitment to listen and respond to feedback ensures that the voice of the customer drives our decisions.

2. ***Best-in-Class Sales & Marketing***

This strategy focuses on fueling the continued growth of Wyndham Destinations. We will remain globally relevant to travelers by staying committed to innovation and continuing to build and strengthen relationships with our customers. Four core elements define our goals and align with our pledge to treat all customers with respect and integrity:

- *Blue Thread* is our connection to Wyndham Hotels & Resorts and Wyndham Rewards loyalty program customers. The demographics of this significant consumer group are strongly aligned to our owner demographics, enabling us to fill our sales pipeline and deliver new vacation experiences to Wyndham loyalists.
- *Partnership Pipeline* enables us to leverage the expertise of strategic partners to accelerate our growth and deliver enhanced benefits to our owners and members. We will strengthen and extend existing relationships, while developing new partners to reach untapped segments.
- *Digital & Customer Relationship Marketing* will bring timeshare to the next generation. We will optimize technology to be relevant and compelling to meet our customers' expectations and we will infuse transparency, speed and accuracy into our processes.
- *Sales Experience* relates to the evolution of the places and processes that mark the journey of ownership. We will invest in bold transformations to revitalize the customer experience and drive customer engagement about vacations.

3. ***Leading Brands & Offerings***

This strategy is about creating a simple yet powerful narrative of who we are and what we sell. This effort began with the launch of Wyndham Destinations and continues with the refreshed branding of Club Wyndham and WorldMark by Wyndham. Three core elements define this strategy:

- *Brand Transformation* shows our commitment to become even better at articulating the value proposition of each of our brands and making them relevant and enticing to our diverse owners, members and prospects.
- *Network Expansion* means growing our portfolio to meet the needs of our customers. Not only is this about adding more locations, it's also about keeping our products and services refreshed and cutting edge.
- *RCI Re-ignition* will focus on leveraging the strengths of our iconic exchange brand to innovate while maintaining continued growth.

4. ***Operating Excellence***

This strategy is the business engine that enables our delivery of great vacations and optimal performance through aligned operations. Two core elements drive this strategy:

- *Resort Operating Excellence* sustains our ability to provide great vacation experiences to our owners, members and guests. The strategic deployment of capital and reserves to maintain top quality resorts, combined with our optimal use of inventory, drives this cycle of excellence.
- *Prioritization* reflects our disciplined operation as an integrated company. Our alignment around prioritized work and our management of general, administrative and overhead expenses relative to revenue growth fuels efficiency and effectiveness.

In summary, we believe that the successful execution of our business strategy will allow us to increase cash flows and profitability, creating more value for our shareholders.

History and Development

Our corporate history can be traced back to the formation of Hospitality Franchise Systems ("HFS") in 1990. HFS initially began as a hotel franchisor that later expanded to include the addition of the vacation exchange business. In December 1997, HFS merged with CUC International, Inc. to form Cendant Corporation, which then expanded further through the addition of vacation rentals and vacation ownership businesses. On July 31, 2006, Cendant distributed all of the shares of its subsidiary, Wyndham Worldwide, to the holders of Cendant common stock. On August 1, 2006, we commenced "regular way" trading on the New York Stock Exchange under the symbol "WYN".

On May 31, 2018, we completed the spin-off of our hotel business into a separate publicly traded company, Wyndham Hotels & Resorts, Inc. ("Wyndham Hotels"). This transaction was effected through a pro rata distribution of the new hotel entity's stock to Wyndham Destinations shareholders. In connection with the Spin-off, we entered into certain agreements with Wyndham Hotels to implement the legal and structural separation, govern the relationship between us and Wyndham Hotels up to and after the completion of the separation, and allocate various assets, liabilities and obligations, including, among other things, employee benefits, intellectual property and tax-related assets and liabilities between us and Wyndham Hotels. The two public companies have entered into long-term exclusive license agreements to retain their affiliations with one of the industry's top-rated loyalty programs, Wyndham Rewards, as well as to continue to collaborate on inventory-sharing and customer cross-selling initiatives.

RCI, our vacation exchange business, was established in 1974. Our vacation ownership brands began operations in 1978 with Shell Vacations Club, followed by Wyndham Vacation Resorts (formerly known as Fairfield Resorts) in 1980 and WorldMark by Wyndham (formerly known as Trendwest Resorts) in 1989.

Our portfolio of well-known hospitality brands was assembled over the past twenty-nine years. The following is a timeline of some of our acquisitions:

Year	Acquisition
1996	Resort Condominiums International (RCI)
2001	Wyndham Vacation Resorts
2002	WorldMark by Wyndham
	Equivest
2010	ResortQuest
2011	The Resort Company
	Bahama Bay/Caribe Cove
2012	Shell Vacations Club
	Oceana Resorts
	Smoky Mountain Property Management
2013	Midtown 45, NYC Property
2014	Raintree Vacation Club (5 Properties)
	Hatteras Realty, Inc.
2015	Vacation Palm Springs
	ResortQuest Whistler
2017	Love Home Swap
	DAE Global Pty Ltd

BUSINESS DESCRIPTIONS

The following is a description of our two business segments, Vacation Ownership and Exchange & Rentals, and the industries in which they compete.

VACATION OWNERSHIP

Industry

The vacation ownership industry, also referred to as the timeshare industry, enables consumers to share ownership of a fully-furnished vacation accommodation. Typically, the consumer purchases either a title to a fraction of a unit or a right to use a property for a specific period of time. This is referred to as a Vacation Ownership Interest ("VOI"). VOIs are generally sold through weekly interval or points-based systems. Under a weekly interval system, owners can use a specific unit at a specific resort often during a specific week of the year. Under a points-based system, owners often have advance reservation rights for a particular destination, but are free to redeem their points for various unit types and/or locations. In addition, points owners can vary the length and frequency of product utilization. Once point values are established for particular units, they generally cannot be changed. For many purchasers, vacation ownership is an attractive alternative to traditional lodging accommodations at hotels. In addition to avoiding variability in room rates, timeshare owners also enjoy accommodations that are, on average, more than twice the size and typically have more features than traditional hotel rooms, such as kitchens, separate living areas and in-unit laundry.

Typically, developers sell VOIs for a fixed purchase price that is paid in full at closing or financed through developer-offered financing options. Vacation ownership resorts are often operated by a property owners' association of which the VOI owners are members. Most property owners' associations are governed by a board of directors that includes owners and which may include representatives of the developer. The board of the property owners' association typically delegates much of the responsibility for managing the resort to a management company, which is often affiliated with the developer.

After the initial purchase, most vacation ownership programs require the owner to pay an annual maintenance fee. This fee represents the owner's allocable share of the costs and expenses of operating and maintaining the vacation ownership property and providing program services. This fee typically covers expenses such as housekeeping, landscaping, taxes, insurance, resort labor, a management fee payable to the management company and an assessment to fund a reserve account used to renovate, refurbish and replace furnishings, appliances, common areas and other assets, such as structural elements and equipment, as needed over time. Owners typically reserve their usage of vacation accommodations in advance through a reservation system. These reservation systems are often provided by the management company or an affiliated entity.

Market awareness and acceptance of vacation ownership products has grown with the entrance into the market of well-known lodging and entertainment brands, such as Wyndham, Marriott, Hilton and Disney. Additionally, the industry's growth can also be attributed to stronger consumer protection laws and the evolution from primarily weekly intervals systems to points-based systems. According to the American Resort Development Association ("ARDA"), a trade association representing the vacation ownership and resort development industries, industry-wide sales were divided 73% for points-based systems and 27% for weekly intervals in 2017.

Based on published industry data, the primary reasons owners have expressed for buying and continuing to own their timeshare are as follows:

- saving money on future vacation costs;
- location of resorts;
- overall flexibility by allowing them the ability to use different locations, unit types and times of year;
- certainty of vacations; and
- certainty of quality accommodations.

According to a 2017 report issued by ARDA, domestic vacation ownership sales were approximately $9.2 billion in 2016, compared to $8.6 billion in 2015. Demographic factors explain, in part, the continued appeal of vacation ownership. A 2016 study of recent U.S. vacation ownership purchasers indicated that the average timeshare owner is 47 years old and has an average annual household income of $93,000. Nearly half of the respondents indicated they plan to buy or upgrade a timeshare over the next two years. This, along with other industry data, suggests that the typical purchaser in the U.S. has disposable income and is interested in purchasing vacation products. Although we believe baby boomers will continue to be active participants in the vacation ownership industry, this study notes that 41% of the respondents were Gen X'ers and 26% were Millennials and that the average age of new first-time purchasers was 43 years old with an average household income of $88,000. The data also suggests that Millennials' perception of the industry and primary reasons for buying their timeshare is similar to the overall population of owners; however, they seek even more flexibility in using and accessing the product. Most owners can exchange their timeshare unit through exchange companies and through the applicable vacation ownership company's internal network of properties.

Vacation Ownership Overview

We operate the world's largest vacation ownership business. We develop and acquire vacation ownership resorts, market and sell VOIs, provide consumer financing for the majority of the sales and provide property management services to property owners' associations. As of December 31, 2018, we had 224 vacation ownership resorts in the U.S., Canada, Mexico, Caribbean and South Pacific that represent more than 25,000 individual vacation ownership units and approximately 880,000 owners of VOIs.

Our brands primarily operate points-based vacation ownership systems through which VOIs can be redeemed for vacations that provide owners with flexibility as to resort location, length of stay, number of stays, unit type and time of year. Our programs allow us to market and sell our vacation ownership products in variable quantities and to offer existing owners "upgrade" sales to supplement their existing VOIs. Less than 1% of our VOI product sales are from traditional weekly interval systems.

Although we offer separate brands, we have integrated substantially all of the business functions, including consumer finance, information technology, staff functions, product development and marketing activities.

Revenues and Operating Statistics

Our vacation ownership business derives a majority of its revenues from timeshare sales, with the remainder of revenues coming from consumer financing and property management. Property management revenues are partly dependent on the number of units we manage.

Performance in our vacation ownership business is measured by the following key operating statistics:

- Gross vacation ownership interest sales or VOIs - Sales of VOIs including Fee-for-Service sales before the effect of loan loss provisions.
- Tours - Number of tours taken by guests in our efforts to sell VOIs.
- Volume per guest or ("VPG") - Gross VOI sales (excluding tele-sales upgrades, which are non-tour upgrade sales) divided by the number of tours. We have excluded non-tour upgrade sales in the calculation of VPG because non-tour upgrade sales are generated by a different marketing channel.

Vacation Ownership Brands

We operate under the following brands:

Club Wyndham. As one of Wyndham Destinations' flagship vacation brands, Club Wyndham gives travelers the chance to live their bucket list and seek new adventures along the way. Spacious suites feature fully equipped kitchens, separate living and dining areas, private bedrooms, and on-site recreation facilities. Club Wyndham lets travelers experience the best of what the world has to offer, with 99 resorts in top destinations across North America, Brazil, the South Pacific and Caribbean.

WorldMark by Wyndham. WorldMark promises families more time to be together and more time for new traditions and new discoveries at a resort that feels like home. WorldMark suites provide all the amenities families need - including fully equipped kitchens, separate living and dining areas, separate bedrooms, and a washer/dryer. WorldMark by Wyndham offers a flexible vacation portfolio, with over 90 resorts in a variety of destinations across the U.S., Canada, Mexico and Asia-Pacific.

Presidential Reserve by Wyndham. Travelers seeking an enhanced vacation experience distinguished by luxurious suites, exclusive amenities, guaranteed access and other special benefits will enjoy the first class experience provided by our Presidential Reserve by Wyndham.

Shell Vacations Club. With a 40-year tradition of hospitality and service, Shell Vacations Club members have access to vacation ownership resorts and properties in the heart of culturally rich metropolitan areas, serene mountain communities and relaxed coastal resort cities. Shell Vacations' 25 condo-style resorts are located throughout the western seaboard, Canada and Mexico.

Margaritaville Vacation Club by Wyndham. Inspired by the laid-back, adventurous lifestyle of Jimmy Buffett and the escapism of Margaritaville®, Margaritaville Vacation Club delivers a tropical experience through accommodations with a nautical feel, including fully equipped kitchens with a bar area complete with a Frozen Concoction Maker® and relaxing outdoor seating areas. Margaritaville Vacation Club properties include St. Thomas, U.S. Virgin Islands, Rio Mar, and Puerto Rico, with Nashville coming in Fall 2019.

Our multi-brand strategy allows us to deliver a broad range of vacation ownership products, locations and price points to a wide spectrum of travelers. Likewise, it also allows us to pursue development opportunities in a wide range of destinations, including international and urban markets. Having a diverse brand portfolio means we can select the most appropriate brand and development partners to expand our footprint. We have used this advantage to build the largest global footprint in the timeshare industry, with resorts across North America, Asia, the South Pacific and Caribbean.

	Domestic		International			
	Resorts	Units	Resorts	Units	Total Resorts	Total Units
Club Wyndham	99	13,573	—	—	99	13,573
Worldmark by Wyndham	86	6,884	10	575	96	7,459
Club Wyndham Asia Pacific	3	40	29	1,492	32	1,532
Presidential Reserve by Wyndham	19	425	—	—	19	425
Shell Vacations Club	22	1,934	3	292	25	2,226
Margaritaville Vacation Club	2	186	—	—	2	186
Total (including dual-branded resorts)	**231**	**23,042**	**42**	**2,359**	**273**	**25,401**
Less: dual-branded resorts					(49)	
Total resorts					**224**	

Sales and Marketing

We employ a variety of marketing channels to encourage prospective owners of VOIs to tour our properties and attend sales presentations at our resort-based sales centers as well as off-site sales offices. Our resort-based sales centers also enable us to actively solicit upgrade sales to existing owners of VOIs while they vacation at our resorts. We operate a tele-sales program designed to market upgrade sales to existing owners of our products. Sales of VOIs relating to upgrades represented 62%, 65% and 67% of our net VOI sales during 2018, 2017 and 2016, respectively.

We use a variety of marketing programs to attract prospective owners, including sponsored contests that offer vacation packages or gifts, targeted mailings, outbound and inbound telemarketing efforts, and in association with Wyndham Hotels brands, other co-branded marketing programs and events. We also partner with Wyndham Hotels by utilizing the Wyndham Rewards loyalty program to offer Wyndham Rewards points as an incentive to prospective VOI purchasers, and by providing additional redemption options to Wyndham Rewards members. We co-sponsor sweepstakes, giveaways and promotional programs with professional teams at major sporting events and with other third parties at high-traffic consumer events. Where permissible under state law, we offer cash awards or other incentives to existing owners for referrals of new owners.

New owner acquisition is an important strategy for us as this will continue to maintain our pool of “lifetime” buyers of vacation ownership and thus enable us to solicit upgrade sales in the future. We believe the market for VOI sales is under-penetrated, and estimate that there are 53 million U.S. households that are potential purchasers of VOIs. We added approximately 37,000, 36,000 and 33,000 new owners during 2018, 2017 and 2016, respectively.

Our marketing and sales activities are often facilitated through marketing alliances with other travel, hospitality, entertainment, gaming and retail companies that provide access to such companies’ customers through a variety of co-branded marketing offers. Our resort-based sales centers, which are located in popular travel destinations throughout the U.S., generate substantial tour flow by enabling us to market to tourists already visiting these destinations. Our marketing agents, who often operate on the premises of the hospitality, entertainment, gaming and retail companies with which we have alliances, solicit tourists with offers relating to entertainment activities and other incentives in exchange for the tourists visiting the local resorts and attending sales presentations.

An example of a marketing alliance through which we market to tourists visiting destination areas is our current arrangement with Caesars Entertainment in Las Vegas, Nevada. This arrangement enables us to operate concierge-style marketing kiosks throughout select casinos and permits us to solicit patrons to attend sales presentations with casino-related rewards and entertainment offers, such as gaming chips, show tickets and dining certificates. We also operate our primary Las Vegas sales center within Harrah’s Casino Hotel, Las Vegas, and regularly shuttle prospective owners targeted by such sales centers to and from our nearby resort property.

Other marketing alliances provide us with the opportunity to align our marketing and sales programs with well-known lifestyle brands that appeal to consumers with similar demographics to our current purchasers. One such example is our alliance with Margaritaville, a lifestyle brand popularized by musician/entertainer Jimmy Buffett, where we market to patrons of various Margaritaville product lines via multiple channels, including on-site marketing at Margaritaville restaurants, affiliated venues and events, as well as co-branded vacation ownership offerings.

We offer a variety of entry-level programs and products as part of our sales strategy. For example, we have a program that allows prospective owners a one-time allotment of points or credits with no further obligations, which we refer to as our sampler program, and a biennial product that provides for vacations every other year. As part of our sales strategies, we rely on our points/credits-based programs, which provide prospective owners with the flexibility to buy relatively small packages of points or credits which can then be upgraded at a later date. To facilitate upgrade sales among existing owners, we market opportunities for owners to purchase additional points or credits through periodic marketing campaigns and promotions while those owners vacation at our properties.

Purchaser Financing

We offer financing to purchasers of VOIs which attracts additional customers and generates substantial incremental revenues and profits. We fund and service loans through our wholly-owned consumer financing subsidiary, Wyndham Consumer Finance. Wyndham Consumer Finance performs loan financing, servicing and related administrative functions.

We typically perform a credit investigation or other inquiry into every purchaser's credit history before offering to finance a portion of the purchase price of the VOI. The interest rate offered to participating purchasers is determined by an automated underwriting process based upon the purchaser's credit score, and the amount of the down payment. We use a consumer credit score, Fair Isaac Corporation ("FICO"), which is a branded version of a consumer credit score widely used within the U.S. by the largest banks and lending institutions. FICO scores range from 300 to 850 and are calculated based on information obtained from one or more of the three major U.S. credit reporting agencies that compile and report on a consumer's credit history. For purchasers with large loan balances, we maintain higher credit standards for new loan originations. Our weighted average FICO score on new originations was 727, 726 and 727 for 2018, 2017 and 2016, respectively.

During 2018, we generated $1.5 billion of new receivables on $2.2 billion of gross vacation ownership sales, net of Fee-for-Service sales, resulting in 68% of our vacation ownership sales being financed. This level of financing is prior to the receipt of addenda cash. Addenda cash represents the cash received for full payment of a loan within 15 to 60 days of origination. After the application of addenda cash, we financed approximately 59% of vacation ownership sales during 2018.

We generally require a minimum down payment of 10% of the purchase price on all sales of VOIs and offer consumer financing for the remaining balance for up to 10 years. While the minimum down payment is generally 10%, our average down payment on financed sales of VOIs was 22% and 24% during 2018 and 2017, respectively. The decrease in the average down payment in 2018 is attributable to lower down payment requirements to support our strategy to grow new members. These loans are structured with equal monthly installments that fully amortize the principal by the final due date.

Similar to many other companies that provide consumer financing, we have historically securitized a majority of the receivables originated in connection with the sales of VOIs. We initially place the financed contracts into a revolving warehouse securitization facility, generally within 30 to 90 days after origination. Many of the receivables are subsequently transferred from the warehouse securitization facility and placed into term securitization facilities.

Our consumer financing subsidiary is responsible for the maintenance of contract receivables files as well as all customer service, billing and collection activities related to the domestic loans we extend. We assess the performance of our loan portfolio by monitoring numerous metrics including collection rates, defaults by state of residency and bankruptcies. Our consumer financing subsidiary also manages the selection and processing of loans pledged or to be pledged in our warehouse and term securitization facilities. As of December 31, 2018, 95% of our loan portfolio was current (not more than 30 days past due).

Property Management

On behalf of each of the property owners' associations, we or our affiliates generally provide day-to-day management for vacation ownership resorts, which includes oversight of housekeeping services, maintenance and refurbishment of the units, and provide certain accounting and administrative services to property owners' associations. The terms of the property management agreements are generally between three to five years; however, the vast majority of the agreements provide a mechanism for automatic renewal upon expiration of the terms. In connection with these property management services, we

receive fees which are generally based upon total costs to operate such resorts. Fees for property management services typically approximate 10% of budgeted operating expenses. As the owner of unsold VOIs, we pay maintenance fees in accordance with the legal requirements of the jurisdictions in which the resorts are located. In addition, at certain newly-developed resorts, we sometimes enter into subsidy agreements with the property owners' associations to cover costs that otherwise would be covered by annual maintenance fees payable with respect to VOIs that have not yet been sold.

Inventory Sourcing

We sell inventory sourced primarily through five channels:

- self-developed inventory,
- Just-in-Time inventory,
- Fee-for-Service,
- consumer loan defaults, and
- inventory reclaimed from owners' associations or owners.

Self-developed inventory. Under the traditional timeshare industry development model, we develop inventory specifically for our timeshare sales. The process often begins with the purchase of land which we then develop. Depending on the size and complexity of the project, this process can take up to several years; but usually takes less.

Just-in-Time inventory. Our Just-in-Time inventory acquisition model enables us to acquire and own completed units close to the timing of their sale or to acquire completed inventory from a third-party partner based upon a predetermined purchase schedule. This model significantly reduces the period between the deployment of capital to acquire inventory and the subsequent return on investment which occurs at the time of its sale to a timeshare purchaser.

Fee-for-Service. In 2010, we introduced the first of our Fee-for-Service models. This timeshare sourcing model was designed to capitalize upon the large quantities of newly developed, nearly completed or recently finished condominium or hotel inventory in the real estate market without assuming the risk that accompanies property acquisition or new construction. This business model offers turn-key solutions for developers or banks in possession of newly developed inventory, which we sell for a fee through our extensive sales and marketing channels. Fee-for-Service enables us to expand our resort portfolio with little or no capital deployment, while providing additional channels for new owner acquisition and growth for our Fee-for-Service property management business.

Consumer loan defaults. As discussed in the "Purchaser Financing" section, we offer financing to purchasers of VOIs. In the event of a default, we are able to recover the inventory and resell it at full current value. We are responsible for the payment of maintenance fees to the property owners' associations until the product is sold. As of December 31, 2018, Inventory on the Consolidated Balance Sheet included estimated inventory recoveries on loan defaults in the amount of $286 million.

Inventory reclaimed from owners' associations or owners. We have entered into agreements with a majority of the property associations representing our developments where we may acquire properties related to owners who have defaulted on their maintenance fees, provided there is no outstanding debt on such properties. In addition, we frequently work with owners to acquire their properties, provided they have no outstanding debt on such properties, prior to those owners defaulting on their maintenance fees. This provides the owner with a graceful exit from a property that is no longer utilized due to lifestyle changes.

Strategies

Our goal is to strengthen our leadership position in the vacation ownership industry and generate consistent and long-term value for our shareholders. To achieve this goal, we intend to pursue the following strategies:

Use our diverse brands to enter new and underpenetrated geographies and broaden our demographic reach. Our unique mix of brands coupled with our large, global footprint provides us with a strategic advantage when adding new inventory in target markets. We expect to use this advantage to grow our customer base by expanding our product offerings in existing markets and entering new, underpenetrated markets.

In our existing markets, we intend to grow our product offerings by adding new brands, either within an existing resort or at a new development. By having multiple brands within a single location, we are able to offer different products at different price points, thereby increasing our addressable market. For example, in Las Vegas, our second and third brands represent over 40% of our sales. In Nashville, our ability to offer a lifestyle brand, Margaritaville Vacation Club by Wyndham, resulted in our selection as a partner in a new hotel development in the popular "SoBro" district.

The breadth of our offerings also allows us to enter new markets with the appropriate brand and product mix. In our newest timeshare market, Austin, we offer two products, one targeted to new owners and the other targeted to existing owners, which allows us to appeal to a broader audience of customers. Additionally, we use our brand portfolio, combined with our strong sales and marketing platform, to penetrate non-traditional but attractive timeshare markets such as the Wisconsin Dells, where we are the only major hospitality brand.

Increase new owner sales to drive long-term growth. We intend to increase the percentage of our VOI sales from new owners, which will enable us to drive long-term revenue and earnings growth. On average, new owners double their initial VOI purchase within seven years, resulting in predictable, high-margin future revenue streams. We will leverage our industry-leading sales and marketing platform to attract new owners by expanding our call transfer capabilities, leveraging our relationship with Wyndham Hotels, enhancing our marketing alliances, growing our Community Marketing Presence ("CMP") and adding resorts in new markets.

Maximize our relationship with Wyndham Hotels. We have a long-term, exclusive license agreement and marketing arrangements with Wyndham Hotels, the world's largest hotel franchisor with approximately 8,900 affiliated hotels located in 80 countries. Since its redesign in 2015, Wyndham Hotels' loyalty program, Wyndham Rewards, has won more than 70 awards, including "Best Hotel Loyalty Program" from US News & World Report and Most Rewarding Hotel Loyalty Program from IdeaWorks.

We plan to significantly increase this sales channel with initiatives such as enhanced call transfers, online marketing, in-hotel marketing and online rentals of vacation ownership resorts. In addition, Wyndham Rewards redemption options into our resorts provide enhanced tour flow opportunities. Cross-marketing to existing guests of Wyndham Hotels and members of Wyndham Rewards has proven to be more efficient than traditional marketing efforts. Volume per guest ("VPG") on affinity marketing tours is higher than other tours, helping to increase margins on new owner sales. We believe further developing this affinity relationship, which currently represents only a small portion of VOI sales, offers a significant new owner growth opportunity that is more profitable than other new owner marketing channels.

Wyndham Rewards, with approximately 61 million enrolled members, many of whom fit our target new customer demographic, provides us with a substantial customer sourcing opportunity to drive future VOI sales.

Maintain a capital-efficient inventory sourcing strategy to produce attractive returns and cash flow. Wyndham Vacation Ownership pioneered capital-efficient inventory sourcing in 2010. We have a diverse inventory sourcing model, including self-developed inventory, Just-in-Time inventory, Fee-for-Service inventory, and buyback programs that allow us to generate VOI sales. Our capital-efficient inventory sourcing strategy has significantly increased return on invested capital since 2010.

The scale and breadth of our brand and product offerings give us unparalleled access to inventory sources, including innovative capital-efficient opportunities, which gives us the ability to select the most attractive development options.

Seasonality

We rely, in part, upon tour flow to generate sales of VOIs; consequently, sales volume tends to increase in the spring and summer months as a result of greater tour flow from spring and summer travelers. Therefore, revenue from sales of VOIs are generally higher in the third quarter than in other quarters.

Competition

The timeshare industry historically has been and continues to be highly fragmented and competitive. Competitors range from small vacation ownership companies to large branded hotel companies, all operating vacation ownership businesses involved in the development, finance and operation of timeshare properties.

Our vacation ownership business competes with other timeshare developers for sales of VOIs based principally on location, quality of accommodations, price, service levels and amenities, financing terms, quality of service, terms of property use, reservation systems, flexibility for members to exchange into time at other timeshare properties or other travel rewards, including access to hotel loyalty programs, as well as brand name recognition and reputation. We also compete for property acquisitions and partnerships with entities that have similar investment objectives as we do. There is also significant competition for talent at all levels within the industry, in particular for sales and management. Our primary competitors in the timeshare space include Marriott Vacations Worldwide, Hilton Grand Vacations, Disney Vacation Club, Holiday Inn Club Vacations, Bluegreen Vacations and Diamond Resorts International.

In addition, our timeshare business competes with other entities engaged in the leisure and vacation industry, including resorts, hotels, cruises and other accommodation alternatives, such as condominium and single-family home rentals. We also compete with home and apartment sharing services (such as AirBnB and VRBO) that operate websites that market available privately owned residential properties that can be rented on a nightly, weekly or monthly basis. In certain markets, we compete with established independent timeshare operators, and it is possible that other potential competitors may develop properties near our current resort locations. In addition, we face competition from other timeshare management companies in the management of resorts on behalf of owners on the basis of quality, cost, types of services offered and relationship.

The timeshare industry has experienced significant consolidation, which may increase competition. Additionally, competition in the vacation ownership industry may increase as private competitors become publicly traded companies or existing publicly traded competitors spin-off their vacation ownership operations, increasing the number of competitors in a highly fragmented industry.

For example, in September 2018, Marriot Vacations Worldwide acquired Interval Leisure Group, Inc., which operates the Interval International exchange program. Prior to that acquisition, Interval Leisure Group, Inc. had acquired Hyatt Residence Club in October 2014 and in May 2016 acquired the timeshare operations of Starwood Hotels & Resorts Worldwide, Inc. (which includes the use of Westin and Sheraton brands for timeshare purposes), known as Vistana Signature Experiences, Inc. Diamond Resorts International, Inc. completed the acquisition of the timeshare business of Gold Key Resorts in October 2015 and completed the acquisition of the timeshare business of Intrawest Resort Club Group in January 2016.

In January 2017, Hilton Worldwide Holdings Inc. completed the spin-off of its vacation ownership operations and Hilton Grand Vacations Inc. is now a separate publicly traded company. In November 2017, Bluegreen Vacations Corporation completed an initial public offering that resulted in approximately 10 percent of its stock being held by the public. Competitors that are publicly traded companies may benefit from a lower cost of, and greater access to, capital, as well as more focused management attention.

Consolidation may create competitors that enjoy significant advantages resulting from, among other things, a lower cost of, and greater access to, capital and enhanced operating efficiencies.

We generally do not face competition in our consumer financing business to finance sales of our VOIs. We do face competition from financial institutions providing other forms of consumer credit, which may lead to full or partial prepayment of our timeshare financing receivables.

EXCHANGE & RENTALS

Industry

A large segment of leisure travel is delivered through non-hotel accommodations that include vacation exchange and vacation rentals. These non-hotel accommodations provide leisure travelers access to a wide variety of leisure options that include vacation ownership resorts, privately-owned vacation homes, apartments and condominiums.

Vacation exchange is a fee-for-service industry that offers services and products primarily to timeshare developers and owners. To participate in a vacation exchange, generally a timeshare owner deposits their interval from a resort or points from their club or resort into a vacation exchange company's network and receives the opportunity to use another owner's interval at a different destination. The vacation exchange company assigns a value to the owner's deposit based upon a number of factors, including supply and demand for the destination, size of the timeshare unit, dates of the interval and the amenities at the resort. Vacation exchange companies generally derive revenues by charging fees for facilitating vacation exchanges and through annual membership dues.

Vacation ownership clubs, such as Club Wyndham Plus, WorldMark by Wyndham, Hilton Grand Vacations and Disney Vacation Club, give members the option to exchange both internally, within their collection of resorts, or externally through vacation exchange networks such as RCI. These types of clubs have been the largest driver of vacation ownership industry growth over the past several years. This long-term trend has a positive impact on the average number of members, but a negative effect on the number of vacation exchange transactions per member and revenue per member as members exchange more often within their club.

Exchange & Rentals Overview

We operate the world's largest vacation exchange network based on the number of members and are a leading provider of professionally managed vacation rentals in North America. Our mission is to send people on the vacation of their dreams and, during 2018, we sent approximately 7 million people to their desired destinations. Through our industry-leading tools, expertise and brands, we create connections between suppliers and guests to maximize supplier utilization and guest

experience. We are largely a fee-for-service business with strong and predictable cash flows.

Our programs serve a member base of timeshare, fractional and whole-unit owners who want flexibility and variety in their travel plans each year. Through our collection of vacation exchange brands, we have approximately 3.8 million member families. We generally retain over 85% of our RCI members each year. In the vast majority of cases, we acquire new members when an affiliated timeshare developer pays for the initial term of a membership on behalf of a timeshare owner as part of the vacation ownership purchase process. Generally, this initial membership is for either a one or two year term, after which these new members may choose to renew directly with us. We also acquire a small percentage of new members directly from online channels. Club and corporate members receive the benefit of our vacation exchange program as part of their ownership with enrollment and renewals paid for by the developer. Members receive periodicals published by us and, for additional fees, use the applicable vacation exchange program and other services that provide members the ability to protect trading power or points, extend the life of a deposit, combine two or more deposits for the opportunity to exchange into intervals with higher trading power and book travel services.

Our vacation exchange business has relationships with over 4,300 vacation ownership resorts in approximately110 countries and territories located in North America, Latin America, Caribbean, Europe, Middle East, Africa and Asia Pacific. We tailor our strategies and operating plans for each region where we have, or seek to develop, a substantial member base.

Revenues and Operating Statistics

Our vacation exchange business derives the majority of its revenues from annual membership dues and fees for facilitating vacation exchanges and rentals. We also generate revenue from: (i) additional services, programs with affiliated resorts, club servicing and loyalty programs and (ii) additional products that provide members the ability to protect trading power or points, extend the life of deposits, and combine two or more deposits for the opportunity to exchange into intervals with higher trading power. No one customer, developer or group accounts for more than 10% of our revenues.

Performance in our vacation exchange business is measured by the following key operating statistics:

- Average number of members - Represents members in our vacation exchange programs who paid annual membership dues as of the end of the period or within the allowed grace period.
- Exchange revenue per member - Represents total annualized revenues generated from fees associated with memberships, exchange transactions, member-related rentals and other servicing for the period divided by the average number of vacation exchange members during the period.

We also derive revenues from our North American vacation rentals business from (i) commissions earned on the rental of vacation rental properties on behalf of independent owners and (ii) additional property management services delivered to property owners, vacation rental guests and homeowners' associations. During 2018, the Company decided to explore strategic alternatives for its North American vacation rentals business and during the fourth quarter commenced activities to facilitate the sale of this business. The assets and liabilities of this business have been classified as held-for-sale as of December 31, 2018. This business does not meet the criteria to be classified as a discontinued operation; therefore, the results were reflected within continuing operations on the Consolidated Statements of Income. For further details see Note 7—*Held-for-Sale Business* to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

Our Exchange and Rentals Brands

We operate under the following brands:

RCI. Founded in 1974, RCI operates the world's largest vacation ownership weeks-based vacation exchange network, RCI Weeks, and provides members with the ability to exchange week-long intervals in units at their home resort for intervals at comparable resorts. RCI also operates the world's largest vacation ownership points-based vacation exchange network, RCI Points. This program allocates points to use rights that members cede to the vacation exchange program. Members may redeem their points for the use of vacation properties for the duration they choose in our vacation exchange program or for discounts on other services and products which may change from time to time, such as airfare, car rentals, cruises, hotels and other accommodations. RCI also offers enhanced membership tiers (Gold and Platinum), which provide additional benefits to members.

The Registry Collection. Established in 2002, The Registry Collection vacation exchange program is the industry's largest and first global vacation exchange network of luxury vacation accommodations. The luxury vacation accommodations in our network include fractional ownership resorts, higher-end vacation ownership resorts, condo-hotels and yachts. The Registry Collection program allows members to exchange their intervals for the use of other luxury vacation properties within the

network for a fee and also offers access to other services and products at member preferred rates, such as cruises, yachts, adventure travel, hotels and other accommodations.

DAE. Founded in 1997, DAE is a leading direct-to-consumer model of vacation exchange with global operations. This member-direct vacation exchange program is open to all timeshare owners, regardless of the resort where they own. DAE offers weeks, points and club owners a simple exchange system with modest support services so they can enjoy resort style accommodations around the world.

Love Home Swap. Founded in 2011, Love Home Swap provides homeowners two ways to turn their home into vacation opportunities. Members have the option to: (i) swap time at their home directly with another member for time at their property or (ii) swap time at their home for points, which can be used at a later date to secure a stay at another member's home. Love Home Swap has developed a sizeable footprint in the United Kingdom and other parts of Europe and has begun to establish a presence in the U.S. and Australia.

Wyndham Vacation Rentals. Wyndham Vacation Rentals offers North America-based rental properties in over 50 beach, ski, mountain, theme park, golf and tennis destinations such as Florida, South Carolina, Colorado, Delaware, North Carolina, Alabama, Tennessee, Utah, California and British Columbia. It has more than 35 years of industry experience providing vacation rentals to travelers through recognized and established brands such as ResortQuest, Steamboat Resorts and Smoky Mountain Property Management. Wyndham Vacation Rentals is part of our North American Vacation Rentals business which has been classified as held-for-sale as of December 31, 2018.

Inventory

The properties our business makes available to travelers include vacation ownership condominiums, fractional resorts, homes, yachts, private residence clubs and traditional hotel rooms. We offer travelers flexibility as to time of travel and a choice of lodging options. This flexibility also helps our affiliated resorts as it provides additional benefits to the vacation ownership product. We offer property owners marketing, booking, property management and quality control services.

We leverage inventory comprising of VOIs and independently owned properties across our network of brands to maximize value for affiliates, vacation exchange members, vacation rental property owners and guests. We also leverage our scale and global marketing expertise to enhance demand and drive occupancy across our network of destinations, including the ability to source vacation rental inventory for vacation exchange members.

We also provide industry-leading technology and revenue management expertise to optimize our network of destination inventory through automated tools and sophisticated yield management techniques and to provide inventory distribution to our network of affiliated resorts. Additionally, we have adapted our yield management technology to introduce a new vacation rental property recruiting tool and have implemented the tool throughout our North American vacation rental operations.

Customer Development

We affiliate with vacation ownership developers directly through our in-house sales teams. Affiliated developers sign agreements that have an average duration of approximately five years. Our members are acquired primarily through our affiliated developers as part of the vacation ownership purchase process. We also acquire a small percentage of our members directly from online channels.

At our vacation rental brands, we primarily enter into exclusive annual rental agreements with property owners. We market these rental properties online and offline to large databases of customers. Additional customers are sourced through transactional websites and offline advertising and promotions, and through the use of third-party travel agencies, tour operators and online distribution channels to drive additional occupancy. We have a number of specific branded websites to promote, sell and inform new customers about vacation rentals.

Loyalty Program

RCI's loyalty program, RCI Elite Rewards, offers a co-branded credit card to our members. The card allows members to earn reward points that can be redeemed for items related to our RCI vacation exchange programs, including annual membership dues, exchange fees for transactions, and other services and products offered by RCI or certain third parties, including airlines and retailers.

Our vacation rental brands also participate in the industry's leading loyalty program, Wyndham Rewards. During 2018, we made approximately 6,300 vacation rental properties available for redemption through Wyndham Rewards and will continue

incorporating properties into the program in the years to come. We expect Wyndham Rewards to increase awareness of our vacation rental brands and drive incremental revenue.

Distribution

We distribute our products and services through proprietary websites and call centers around the world. We invest in new technologies and online capabilities to ensure that our customers have the best experience and access to consistent information and services across digital and call center channels. We continue to enhance our digital channels, mobile capabilities and e-commerce platforms across our network.

Important technology enhancements include streamlined search and transaction journeys, improved help and mobile functionality, more robust redesigned website content, and personalized content and offers for our customers. Recognizing that today's on-the-go customer relies on mobile devices more frequently than ever before, we are further investing in our mobile apps and mobile browsers based on the latest technologies coupled with a more nuanced understanding of customer behavior. We have incorporated new tools and responsive designs that take advantage of the portability and variability of mobile devices, allowing customers to research and plan activities, going beyond the travel booking transaction alone.

Part of our vacation rental strategy has been to enhance and expand our online distribution channels, including global partnerships with several industry-leading online travel and vacation rental portals in order to streamline inventory connectivity and guest experience. This will continue to accelerate revenue growth and allow for more business on the web instead of through our call centers, thus generating cost savings for us.

The requests we receive at our global call centers are handled by our vacation guides, who are trained to fulfill requests for vacation exchange and rentals. Call centers remain an important distribution channel for us and therefore we continue to invest resources to ensure that members and rental customers receive a high level of personalized customer service. Through our call centers, we also provide private-labeled reservation booking, customer care and other services for our RCI affiliates.

Marketing

We market our services and products to our customers using our five primary consumer brands and other related brands in more than 130 offices worldwide through several marketing channels including direct mail, email, social media, telemarketing, online distribution channels, brochures and magazines. Our core marketing strategy is to personalize and customize our marketing to best match customer preferences. We have a comprehensive social and mobile media platform including apps for smartphones and tablets, Facebook and Pinterest fan pages, several Twitter and Instagram accounts and YouTube channels, online video content and various online magazines. We use our resort directories and periodicals related to the vacation industry for marketing as well as for member retention and loyalty. Additionally, we promote our offerings to owners of resorts and vacation homes through trade shows, online and other marketing channels that include direct mail and telemarketing.

Strategies

Our strategy is to re-ignite the RCI exchange brand to continue our growth and take advantage of untapped market demand. We will leverage RCI's legacy of innovation, technology and analytics expertise to achieve our goals. We intend to pursue the following key strategic initiatives:

Identify new capital-efficient sources of supply to increase vacation opportunities for our customers

We plan to leverage our scale and robust industry relationships to secure new sources of supply with favorable pricing in order to enhance our exchange inventory profile. We have identified customer demand for destinations where we have limited point-in-time supply availability and demand for vacation opportunities available for confirmation closer to the vacation start date.

Offer new and innovative products to further enhance the membership experience and reach new customer bases

We plan to continue our history of innovation by offering more ways for customers to use their timeshare ownership to travel and vacation. Our goal is to make it easier for members to deposit future year VOIs into our exchange programs and allow members to use their vacation ownership toward discounts on other vacation-related opportunities. In addition, RCI will leverage our exchange platform and expertise to expand into new membership models and offerings, expanding our member base and demographic reach. We will also continue to enhance and grow DAE and Love Home Swap towards this end.

Develop new solutions in partnership with our Club affiliates to increase overall engagement with the Club member population

While Club owners have been the largest growing segment of our member base, Club revenue per member is lower than our overall average due to a wide array of vacation options within the Clubs causing a reduced propensity for Club owners to

interact with our external exchange networks. We see opportunity to improve this propensity by working more closely with our Club affiliate partners to drive additional value proposition in their owner base. We can achieve this by providing innovative new product offerings and time flexibility to help these owners avoid expiration of their Club currency by depositing into our exchange programs.

Grow market share through focus on geographic expansion and deeper penetration in existing markets

We will continue to leverage our best-in-class business development team to identify affiliation growth opportunities in our core markets, while investing in growth in our Latin America and Asia markets.

Seasonality

Our revenues from vacation exchange fees have traditionally been higher in the first quarter, which is generally when our vacation exchange members plan and book their vacations for the year. Revenues from vacation rentals have traditionally been highest in the third quarter, when vacation arrivals are highest.

Competition

Exchange & Rentals competes globally with other vacation exchange companies, most notably Interval International, and certain developers and clubs that offer vacation exchange through their own internal networks of properties. Our vacation exchange business also competes with third-party internet travel intermediaries and peer-to-peer online networks that are used by consumers to search for and book their resort and other travel accommodations. Our vacation rental brands face competition from a broad variety of professional vacation rental managers, most of which are small regional operators and individual property owners who pursue the rent-by-owner model, collectively using brokerage services, direct marketing and the internet to market and rent their vacation properties.

INTELLECTUAL PROPERTY

Our business is affected by our ability to protect against infringement of our intellectual property, including our trademarks, service marks, logos, trade names, domain names and other proprietary rights. The foregoing segment descriptions specify the brands that are used by each of our segments. Our subsidiaries actively use or license for use all significant marks and domain names, and we own or have exclusive licenses to use these marks and domain names. In connection with the Spin-off, we entered into a license, development and noncompetition agreement with Wyndham Hotels, which, among other things, granted to Wyndham Destinations the right to use the "Wyndham" trademark, "The Registry Collection" and certain other trademarks and intellectual property in our business. See "Key Agreements Related to the Spin-Off—License, Development and Noncompetition Agreement" for more information. We register the marks that we own in the U.S. Patent and Trademark Office, as well as with other relevant authorities where we deem appropriate, and seek to protect our marks from unauthorized use as permitted by law.

GOVERNMENT REGULATION

Our business is subject to various international, national, federal, state and local laws, regulations and policies in jurisdictions in which we operate. Some laws, regulations and policies impact multiple areas of our business, such as securities, anti-discrimination, anti-fraud, data protection and security and anti-corruption and bribery laws and regulations or government economic sanctions, including applicable regulations under the U.S. Treasury's Office of Foreign Asset Control and the U.S. Foreign Corrupt Practices Act ("FCPA"). The FCPA and similar anti-corruption and bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or generating business. Other laws, regulations and policies primarily affect one of our areas of business: inventory sourcing activities; sales and marketing activities; purchaser financing activities; and property management activities.

Inventory Sourcing Regulation

Our inventory sourcing activities are regulated under a number of different timeshare, condominium and land sales disclosure statutes in many jurisdictions. We are generally subject to laws and regulations typically applicable to real estate development, subdivision and construction activities, such as laws relating to zoning, land use restrictions, environmental regulation, accessibility, title transfers, title insurance and taxation. In the United States, these include the Fair Housing Act and the Americans with Disabilities Act of 1990 and the Accessibility Guidelines promulgated thereunder, which we refer to collectively as (the "ADA"). In addition, we are subject to laws in some jurisdictions that impose liability on property developers for construction defects discovered or repairs made by future owners of property developed by the developer.

Sales and Marketing Regulation

Our sales and marketing activities are highly regulated. In addition to regulations implementing laws enacted specifically for the timeshare industry, a wide variety of laws and regulations govern our sales and marketing activities, including regulations implementing the USA PATRIOT Act, Foreign Investment In Real Property Tax Act, the Federal Interstate Land Sales Full Disclosure Act and fair housing statutes, U.S. Federal Trade Commission ("FTC") and state "Little FTC Act" and other regulations governing unfair, deceptive or abusive acts or practices including unfair or deceptive trade practices and unfair competition, state attorney general regulations, anti-fraud laws, prize, gift and sweepstakes laws, real estate, title agency or insurance and other licensing or registration laws and regulations, anti-money laundering, consumer information privacy and security, breach notification, information sharing and telemarketing laws, home solicitation sales laws, tour operator laws, lodging certificate and seller of travel laws, securities laws, and other consumer protection laws.

We must obtain the approval of numerous governmental authorities for our sales and marketing activities. Changes in circumstances or applicable law may necessitate the application for or modification of existing approvals. In addition, many jurisdictions, including many jurisdictions in the United States, require that we file detailed registration or offering statements with regulatory authorities disclosing information regarding our VOIs, such as information concerning the intervals being offered, the project, resort or program to which the intervals relate, applicable timeshare plans, evidence of title, details regarding our business, the purchaser's rights and obligations with respect to such intervals, and a description of the manner in which we intend to offer and advertise such intervals.

When we sell VOIs, local law grants the purchaser of a VOI the right to cancel a purchase contract during a specified rescission period following the later of the date the contract was signed or the date the purchaser received the last of the documents required to be provided by us.

In recent years, regulators in many jurisdictions have increased regulations and enforcement actions related to telemarketing operations, including requiring adherence to the federal Telephone Consumer Protection Act and "do not call" legislation. These measures have significantly increased the costs associated with telemarketing, in particular with respect to telemarketing to mobile numbers. While we continue to be subject to telemarketing risks and potential liability, we believe that our exposure to adverse effects from telemarketing legislation and enforcement is mitigated in some instances by the use of permission-based marketing in which we obtain permission to contact prospective purchasers in the future. We have also implemented procedures to comply with federal and state "do not call" regulations including subscribing to the federal do not call registry and certain state "do not call" registries as well as maintaining an internal "do not call" list.

Purchaser Financing Regulation

Our purchaser financing activities are subject to a number of laws and regulations including those of applicable supervisory agencies such as, in the United States, the Consumer Financial Protection Bureau, the FTC, and the Financial Crimes Enforcement Network. These laws and regulations, some of which contain exceptions applicable to the timeshare industry, may include, among others, the Real Estate Settlement Procedures Act and Regulation X, the Truth In Lending Act and Regulation Z, the Federal Trade Commission Act, the Equal Credit Opportunity Act and Regulation B, the Fair Credit Reporting Act, the Fair Housing Act and implementing regulations, the Fair Debt Collection Practices Act, the Electronic Funds Transfer Act and Regulation E, unfair, deceptive or abusive acts or practices regulations and the Credit Practices rules, the USA PATRIOT Act, the Right to Financial Privacy Act, the Gramm-Leach-Bliley Act, the Servicemember's Civil Relief Act and the Bank Secrecy Act. Our purchaser financing activities are also subject to the laws and regulations of other jurisdictions, including, among others, laws and regulations related to consumer loans, retail installment contracts, mortgage lending, fair debt collection and credit reporting practices, consumer debt collection practices, mortgage disclosure, lender or mortgage loan originator licensing and registration and anti-money laundering.

Property Management Regulation

Our property management activities are subject to laws and regulations regarding community association management, public lodging, food and beverage services, liquor licensing, labor, employment, health care, health and safety, accessibility, discrimination, immigration, gaming and the environment (including climate change). In addition, many jurisdictions in which we manage our resorts have statutory provisions that limit the duration of the initial and renewal terms of our management agreements for property owners' associations.

EMPLOYEES

As of December 31, 2018, we had approximately 24,500 employees, including over 4,300 employees outside of the U.S. The Vacation Ownership business had over 18,800 employees, Exchange & Rentals over 5,400 employees, and our corporate group

had approximately 300 employees. Approximately 1% of our employees are subject to collective bargaining agreements governing their employment with our company.

ENVIRONMENTAL COMPLIANCE

Our compliance with federal, state and local laws and regulations relating to environmental protection and discharge of hazardous materials has not had a material impact on our capital expenditures, earnings or competitive position, and we do not anticipate any material impact from such compliance in the future.

SOCIAL RESPONSIBILITY

Wyndham Destinations is committed to delivering shareholder and stakeholder value through our Social Responsibility program, which remains an integral part of our company culture and global business operations. We strive to cultivate an inclusive environment, in which our associates, customers, suppliers and communities feel appreciated, respected and valued. In 2018, the Company continued to strengthen our impact across our five core areas of Social Responsibility: Environmental Sustainability, Inclusion & Diversity, Philanthropy, Ethics and Human Rights.

We are committed to remaining a leader of sustainable business practices and we continue to work toward meeting all social responsibility regulations in which we conduct business. Our goal for 2025 is to reduce our carbon emissions by 40% and water consumption by 25% at our owned, managed and leased assets (based on square foot intensity) compared to our 2010 baseline. We have reduced carbon emissions intensity by 31% and water usage intensity by 22%, to our baseline, while increasing our overall portfolio square footage by 15%. Our goals will be achieved through innovative programs and the implementation of efficiency projects to reduce our carbon footprint. Progress towards our goals will be measured through our environmental data tracking tool. We recently exceeded our goal to plant one million trees through the Arbor Day Foundation, which has helped us to improve our biodiversity footprint. We continue to work with the Arbor Day foundation planting on average 200,000 trees per year and sourcing carbon neutral coffee.

KEY AGREEMENTS RELATED TO THE SPIN-OFF

This section summarizes the material agreements between us and Wyndham Hotels that govern the ongoing relationships between the two companies after the Spin-off. Additional or modified agreements, arrangements and transactions, which would be negotiated at arm's length, may be entered into between us and Wyndham Hotels in the future. These summaries are qualified in their entirety by reference to the full text of the applicable agreements, which are filed as exhibits hereto.

As of May 31, 2018 when the Spin-off was completed, we and Wyndham Hotels operate independently, and neither company has any ownership interest in the other. Before the Spin-off, we entered into a Separation and Distribution Agreement and several other agreements with Wyndham Hotels related to the Spin-off. These agreements govern the relationship between us and Wyndham Hotels following completion of the Spin-off and provide for the allocation between us and Wyndham Hotels of various assets, liabilities, rights and obligations. The following is a summary of the terms of the material agreements we entered into with Wyndham Hotels. The following summaries do not purport to be complete and are qualified in their entirety by reference to the full text of each agreement, which is incorporated by reference into this Annual Report on Form 10-K as Exhibits 2.5, 10.46, 10.72, 10.73 and 10.74.

Separation and Distribution Agreement

The Company entered into a Separation and Distribution Agreement with Wyndham Hotels regarding the principal actions taken or to be taken in connection with the Spin-off. The Separation and Distribution Agreement provides for the allocation of assets and liabilities between Wyndham Destinations and Wyndham Hotels and establishes certain rights and obligations between the parties following the Distribution.

Transfer of Assets and Assumption of Liabilities. The Separation and Distribution Agreement provides for those transfers of assets and assumptions of liabilities that are necessary in connection with the Spin-off so that each of Wyndham Destinations and Wyndham Hotels is allocated the assets necessary to operate its respective business and retains or assumes the liabilities allocated to it in accordance with the separation plan. The Separation and Distribution Agreement also provides for the settlement or extinguishment of certain liabilities and other obligations among Wyndham Destinations and Wyndham Hotels. In particular, the Separation and Distribution Agreement provides that, subject to certain terms and conditions:

- The assets that have been retained by or transferred to Wyndham Hotels ("SpinCo assets") include, but are not limited to:
  - all of the equity interests of Wyndham Hotels;

- any and all assets reflected on the audited combined balance sheet of the Wyndham Hotels & Resorts businesses;
- any and all contracts primarily relating to the Wyndham Hotels & Resorts businesses; and
- all rights in the "Wyndham" trademark and "The Registry Collection" trademark, and certain intellectual property related thereto.

- The liabilities that have been retained by or transferred to Wyndham Hotels ("SpinCo liabilities") include, but are not limited to:
  - any and all liabilities (whether accrued, contingent or otherwise, and subject to certain exceptions) to the extent primarily related to, arising out of or resulting from (a) the operation or conduct of the Wyndham Hotels & Resorts businesses or (b) the SpinCo assets;
  - any and all liabilities (whether accrued, contingent or otherwise) relating to, arising out of or resulting from any form, registration statement, schedule or similar disclosure document filed or furnished with the Commission, to the extent such filing is either made by Wyndham Hotels or made by the Company in connection with the Spin-off, subject to each party's indemnification obligations under the Separation and Distribution Agreement with respect to any misstatement of or omission to state a material fact contained in any such filing to the extent the misstatement or omission is based upon information that was furnished by such party;
  - any and all liabilities relating to, arising out of, or resulting from any indebtedness of Wyndham Hotels or any indebtedness secured exclusively by any of the Wyndham Hotels assets; and
  - any and all liabilities (whether accrued, contingent or otherwise) reflected on the audited combined balance sheet of the Wyndham Hotels & Resorts businesses.

- Wyndham Hotels assumes one-third and Wyndham Destinations assumes two-thirds of certain contingent and other corporate liabilities of the Company ("shared contingent liabilities") in each case incurred prior to the Distribution, including liabilities of the Company related to, arising out of or resulting from (i) certain terminated or divested businesses, (ii) certain general corporate matters of the Company and (iii) any actions with respect to the separation plan or the Distribution made or brought by any third party;

- Wyndham Hotels is entitled to receive one-third and Wyndham Destinations is entitled to receive two-thirds of the proceeds (or, in certain cases, a portion thereof) from certain contingent and other corporate assets of the Company ("shared contingent assets") arising or accrued prior to the Distribution, including assets of the Company related to, arising from or involving (i) certain terminated or divested businesses and (ii) certain general corporate matters of the Company;

- In connection with the sale of the Company's European vacation rentals business, Wyndham Hotels will assume one-third and Wyndham Destinations will assume two-thirds of certain shared contingent liabilities and certain shared contingent assets. Such shared contingent assets and shared contingent liabilities will include: (a) any amounts paid or received by Wyndham Destinations in respect of any indemnification claims made in connection with such sale, (b) any losses actually incurred by Wyndham Destinations or Wyndham Hotels in connection with its provision of post-closing credit support to the European vacation rentals business, in the form of an unsecured guarantee, letter of credit or otherwise, in a fixed amount to be determined, to ensure that the European vacation rentals business meets the requirements of certain service providers and regulatory authorities, and (c) any tax assets or liabilities related to such sale;

- Except as otherwise provided in the Separation and Distribution Agreement or any ancillary agreement, the corporate costs and expenses relating to the Spin-off will first be paid by the party such costs were incurred by, from a separate account maintained by each of Wyndham Hotels and Wyndham Destinations and established prior to completion of the Spin-off on terms agreed upon by Wyndham Hotels and Wyndham Destinations and, to the extent the funds in such separate account are not sufficient to satisfy such costs and expenses, be treated as shared contingent liabilities (as described above); and

- All assets and liabilities of the Company (whether accrued, contingent or otherwise) other than the SpinCo assets and SpinCo liabilities, subject to certain exceptions (including the shared contingent assets and shared contingent liabilities), have been retained by or transferred to Wyndham Destinations, except as set forth in the Separation and Distribution Agreement or one of the other agreements described below.

The allocation of liabilities with respect to taxes, except for payroll taxes and reporting and other tax matters expressly covered by the Employee Matters Agreement or the Separation and Distribution Agreement, are solely covered by the Tax Matters Agreement.

Net Proceeds Adjustment. Prior to the Distribution, Wyndham Hotels and the Company agreed on a target amount for the net proceeds to be received by the Company in connection with the sale of the Company's European vacation rentals business. Following the Distribution, Wyndham Destinations will prepare, and agree with Wyndham Hotels on, a statement setting forth the actual amount of net proceeds received by the Company in connection with such sale, including pursuant to any post-closing purchase price adjustments. If the amount of actual net proceeds is greater than the target net proceeds amount, such excess will be a shared contingent asset; if it is less than the target net proceeds amount, such deficit will be a shared contingent liability.

Net Indebtedness Adjustment. Prior to the Distribution, the Company and Wyndham Hotels agreed on a target amount of indebtedness (net of cash) for Wyndham Hotels as of the Distribution. Following the Distribution, Wyndham Hotels will prepare, and agree with Wyndham Destinations on, a statement setting forth the actual amount of net indebtedness of Wyndham Hotels as of the close of business on the Distribution Date (as defined below). If the actual amount of net indebtedness as of the close of business on the Distribution Date is greater than the target net indebtedness amount, Wyndham Destinations will pay the difference to Wyndham Hotels; if it is less than the target net indebtedness amount, Wyndham Hotels will pay the difference to Wyndham Destinations.

Cash Balances. In connection with the transfer from the Company to Wyndham Hotels of certain liabilities as part of the internal reorganization, the Company transferred an agreed upon amount of cash to Wyndham Hotels. Also prior to the completion of the Spin-off, Wyndham Hotels distributed or otherwise transferred to a bank account of the Company the amount of cash and cash equivalents in excess of the sum of (i) such amount of transferred cash, plus (ii) an amount of cash necessary to adequately capitalize Wyndham Hotels following the Spin-off, (iii) plus the amount of cash being maintained by Wyndham Hotels in a separate account to pay corporate costs and expenses relating to the Spin-off (as described above), plus the amount of certain cash proceeds from Wyndham Hotels' offering of its 5.375% Notes due 2026 and the borrowings under Wyndham Hotels' new senior secured credit facilities. Such distributed cash constitutes "boot" that is subject to the applicable requirements set forth in the Separation and Distribution Agreement. Amounts payable between the Company and Wyndham Hotels that are described in this paragraph may be netted and offset pursuant to the Separation and Distribution Agreement.

Further Assurances. To the extent that any transfers of assets or assumptions of liabilities contemplated by the Separation and Distribution Agreement have not been consummated, the parties have agreed to cooperate with each other and use commercially reasonable efforts to effect such transfers or assumptions as promptly as practicable. In addition, each of the parties has agreed to cooperate with each other and use commercially reasonable efforts to take or to cause to be taken all actions, and to do, or to cause to be done, all things reasonably necessary under applicable law or contractual obligations to consummate and make effective the transactions contemplated by the Separation and Distribution Agreement and the ancillary agreements.

Representations and Warranties. In general, neither the Company nor Wyndham Hotels made any representations or warranties regarding any assets or liabilities transferred or assumed, any consents or approvals that may have been required in connection with such transfers or assumptions, the value or freedom from any lien or other security interest of any assets transferred, the absence of any defenses relating to any claim of either party or the legal sufficiency of any conveyance documents, or any other matters. Except as expressly set forth in the Separation and Distribution Agreement or in any ancillary agreement, all assets have been transferred on an "as is, where is" basis.

The Distribution. The Separation and Distribution Agreement governs certain rights and obligations of the parties regarding the Distribution and certain actions that occurred prior to the Distribution, such as the election of officers and directors and the adoption of Wyndham Hotels' amended and restated certificate of incorporation and amended and restated by-laws. Prior to the Distribution, the Company delivered all the issued and outstanding shares of Wyndham Hotels common stock to the distribution agent. Following the Distribution Date, the distribution agent will electronically deliver the shares of Wyndham Hotels common stock to the Company's stockholders based on each holder of Company common stock receiving one share of Wyndham Hotels common stock for each share of Company common stock held as of May 18, 2018.

Intercompany Accounts. The Separation and Distribution Agreement provides that, subject to any provisions in the Separation and Distribution Agreement or any ancillary agreement to the contrary, prior to the Distribution, intercompany accounts were settled as set forth in the Separation and Distribution Agreement.

Release of Claims and Indemnification. Wyndham Destinations and Wyndham Hotels have agreed to broad releases pursuant to which each releases the other and certain related persons specified in the Separation and Distribution Agreement from any claims against any of them that arise out of or relate to events, circumstances or actions occurring or failing to occur or alleged

to occur or to have failed to occur or any conditions existing or alleged to exist at or prior to the time of the Distribution. These releases are subject to certain exceptions set forth in the Separation and Distribution Agreement and the ancillary agreements.

The Separation and Distribution Agreement provides for cross-indemnities that, except as otherwise provided in the Separation and Distribution Agreement, are principally designed to place financial responsibility for the obligations and liabilities of Wyndham Hotels' business with Wyndham Hotels, and financial responsibility for the obligations and liabilities of Wyndham Destinations' business with Wyndham Destinations. Specifically, each party will, and will cause its subsidiaries to, indemnify, defend and hold harmless the other party, its affiliates and subsidiaries and each of its and their respective officers, directors, employees and agents for any losses arising out of, by reason of or otherwise in connection with:

- the liabilities each such party assumed or retained pursuant to the Separation and Distribution Agreement;
- any misstatement of or omission to state a material fact contained in any party's public filings, only to the extent the misstatement or omission is based upon information that was furnished by the indemnifying party (or incorporated by reference from a filing of such indemnifying party) and then only to the extent the statement or omission was made or occurred after the Spin-off; and
- any breach by such party of the Separation and Distribution Agreement or any ancillary agreement unless such ancillary agreement expressly provides for separate indemnification therein, in which case any such indemnification claims will be made thereunder.

The amount of each party's indemnification obligations are subject to reduction by any insurance proceeds received by the party being indemnified. The Separation and Distribution Agreement also specifies procedures with respect to claims subject to indemnification and related matters. Except in the case of tax assets and liabilities related to the sale of the Company's European vacation rentals business, indemnification with respect to taxes are governed solely by the Tax Matters Agreement.

Insurance. The Separation and Distribution Agreement provides for the allocation among the parties of benefits under existing insurance policies for occurrences prior to the Distribution and sets forth procedures for the administration of insured claims. The Separation and Distribution Agreement allocates among the parties the right to proceeds and the obligation to incur deductibles under certain insurance policies. In addition, the Separation and Distribution Agreement provides that Wyndham Destinations will obtain, subject to the terms of the agreement, certain directors and officers liability insurance policies, fiduciary liability insurance policies and errors and omissions and cyber liability insurance policies to apply against certain pre-separation claims, if any.

Dispute Resolution. In the event of any dispute arising out of the Separation and Distribution Agreement, the general counsels of the parties, and/or such other representatives as the parties designate, will negotiate to resolve any disputes among such parties. If the parties are unable to resolve the dispute in this manner within a specified period of time, as set forth in the Separation and Distribution Agreement, then unless agreed otherwise by the parties, the dispute will be resolved through binding arbitration.

Other Matters Governed by the Separation and Distribution Agreement. Other matters governed by the Separation and Distribution Agreement include access to financial and other information, confidentiality, access to and provision of records and treatment of outstanding guarantees and similar credit support.

Employee Matters Agreement

We have entered into an Employee Matters Agreement with Wyndham Hotels that will govern the respective rights, responsibilities and obligations of Wyndham Hotels and us following the Spin-off. The Employee Matters Agreement addresses the allocation of employees between Wyndham Hotels and us, defined benefit pension plans, qualified defined contribution plans, non-qualified deferred compensation plans, employee health and welfare benefit plans, incentive plans, equity-based awards, collective bargaining agreements and other employment, compensation and benefits-related matters. The Employee Matters Agreement provides for, among other things, the allocation and treatment of assets and liabilities related to incentive plans, retirement plans and employee health and welfare benefit plans in which transferred employees participated prior to the Spin-off. The Employee Matters Agreement also provides for the treatment of Wyndham Destinations' outstanding equity-based awards in connection with the Spin-off. Following the Spin-off, Wyndham Hotels employees no longer participate in Wyndham Destinations' plans or programs (other than continued participation in employee health and welfare benefit plans for a limited period of time following the Spin-off in conjunction with the Transition Services Agreement described below), and Wyndham Hotels will establish plans or programs for their employees as described in the Employee Matters Agreement. Wyndham Hotels will also establish or maintain plans and programs outside of the United States as may be required under applicable law or pursuant to the Employee Matters Agreement.

Tax Matters Agreement

We have entered into a Tax Matters Agreement with Wyndham Hotels that will govern the respective rights, responsibilities and obligations of Wyndham Hotels and us following the Spin-off with respect to tax liabilities and benefits, tax attributes, tax contests and other tax sharing regarding U.S. federal, state, local and foreign income taxes, other tax matters and related tax returns. As a former subsidiary of Wyndham Destinations, Wyndham Hotels has (and will continue to have following the Spin-off) joint and several liability with us to the IRS for the combined U.S. federal income taxes of the Wyndham Destinations consolidated group relating to the taxable periods in which Wyndham Hotels was part of that group. In general, the Tax Matters Agreement specifies that Wyndham Hotels will bear one-third, and Wyndham Destinations two-thirds, of this tax liability, and Wyndham Hotels has agreed to indemnify us against any amounts for which we are not responsible including subject to the next sentence. The Tax Matters Agreement also provides special rules for allocating tax liabilities in the event that the Spin-off is not tax-free. In general, if a party's actions cause the Spin-off not to be tax-free, that party will be responsible for the payment of any resulting tax liabilities (and will indemnify the other party with respect thereto). The Tax Matters Agreement provides for certain covenants that may restrict our ability to pursue strategic or other transactions that otherwise could maximize the value of our business. Although valid as between the parties, the Tax Matters Agreement will not be binding on the IRS.

Transition Services Agreement

We have entered into a Transition Services Agreement with Wyndham Hotels under which Wyndham Hotels will provide us with certain services, and we will provide Wyndham Hotels with certain services, for a limited time to help ensure an orderly transition following the distribution.

The services that Wyndham Hotels has agreed to provide us under the Transition Services Agreement and that we have agreed to provide Wyndham Hotels includes certain finance, information technology, human resources, payroll, tax and other services. We pay Wyndham Hotels for any such services used at agreed amounts as set forth in the Transition Services Agreement. In addition, from time to time during the term of the agreement, we and Wyndham Hotels may mutually agree on additional services to be provided.

The services provided under the Transition Services Agreement are, generally, to be provided for a term of up to 24 months following the distribution. Each party may terminate any transition services upon prior notice to the other party, generally with notice 45 days in advance of the desired termination date, and are generally to be responsible for any costs incurred by the non-terminating party as a result of such termination. Each party also has the right to terminate the agreement if the other party breaches any of its obligations under the agreement, subject to providing notice and opportunity to cure, solely with respect to service or services impacted by the breach.

The transition services are to be provided in a manner, and at a level of service, substantially similar to the manner and at the level of service with which the services were provided during the 12-month period prior to the distribution. The charge for these services are, generally, to be intended to allow the parties to recover all of their direct and indirect costs incurred in connection with providing those services.

The Transition Services Agreement generally provides that each party bears its own risks with respect to the receipt and provision of the transition services, with limited exceptions for items such as the other party's gross negligence or willful misconduct.

License, Development and Noncompetition Agreement

In connection with the Spin-off, we entered into a license, development and noncompetition agreement with Wyndham Hotels, which, among other things, granted to Wyndham Destinations the right to use the "Wyndham" trademark, "The Registry Collection" and certain other trademarks and intellectual property in our business. This right is generally limited to use in connection with our vacation ownership, vacation rental (in the U.S., Canada, Mexico and Caribbean) and vacation exchange businesses, with certain limited exceptions. This agreement has a term of 100 years with an option for us to extend the term for an additional 30 years. We will pay Wyndham Hotels certain royalties and other fees under this agreement.

Additionally, the license, development and noncompetition agreement governs arrangements between us and Wyndham Hotels with respect to the development of new projects and non-compete obligations. These non-compete obligations restrict each of the Company and Wyndham Hotels from competing with the other party's business (subject to customary carve-outs) for the first 25 years of the term of the license, development and noncompetition agreement, and we may extend the term of these non-compete obligations for an additional 5-year term if we achieve a certain sales target in the last full calendar year of the initial 25-year term. If either party acquires a business that competes with the other party's businesses, Wyndham Hotels or us, respectively, must offer the other party the right to acquire such competing business upon and subject to the terms and

Table of Contents

conditions set forth in the license, development and noncompetition agreement. Additionally, if either party engages in a project that has a component that competes with the other party's businesses, Wyndham Hotels or us, respectively, must use commercially reasonable efforts to include the other party in such project, subject to the terms and conditions set forth in the license, development and noncompetition agreement.

ITEM 1A. RISK FACTORS

You should carefully consider each of the following risk factors and all of the other information set forth in this report. The risk factors generally have been separated into three groups: risks related to our business and our industry, risks related to our common stock and risks related to the recent Spin-off. Based on the information currently known to us, we believe that the following information identifies the most significant risk factors affecting our company in each of these categories of risks. However, the risks and uncertainties we face are not limited to those set forth in the risk factors described below. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business. In addition, past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods.

If any of the following risks and uncertainties develop into actual events, these events could have a material adverse effect on our business, financial condition or results of operations. In such case, the trading price of our common stock could decline.

Risks Related to Our Business and Our Industry

The timeshare industry is highly competitive and we are subject to risks related to competition that may adversely affect our performance.

We will be adversely impacted if we cannot compete effectively in the highly competitive timeshare industry. Our continued success depends upon our ability to compete effectively in markets that contain numerous competitors, some of which may have significantly greater financial, marketing and other resources than we have. Competition in the timeshare industry is based on brand name recognition and reputation as well as location, price, property size and availability, quality, customer satisfaction, amenities and the ability to earn and redeem loyalty program points. New resorts may be constructed and these additions to supply may create new competitors, in some cases without corresponding increases in demand. Competition may reduce fee structures, potentially causing us to lower our fees or prices, which may adversely impact our profits. New competition or existing competition that uses a business model that is different from our business model may require us to change our model so that we can remain competitive.

We may not be able to achieve our growth and performance objectives.

We may not be able to achieve our growth and performance objectives for increasing: our earnings and cash flows; the number of tours and new owners generated and vacation ownership interests sold by our vacation ownership business; and the number of vacation exchange members and related transactions.

Acquisitions, dispositions and other strategic transactions may not prove successful and could result in operating difficulties.

We regularly consider a wide array of acquisitions and other potential strategic transactions, including acquisitions of businesses and real property, joint ventures, business combinations, strategic investments and dispositions. Any of these transactions could be material to our business. We often compete for these opportunities with third parties, which may cause us to lose potential opportunities or to pay more than we may otherwise have paid absent such competition. We cannot assure you that we will be able to identify and consummate strategic transactions and opportunities on favorable terms or that any such strategic transactions or opportunities, if consummated, will be successful. Assimilating any strategic transactions may also create unforeseen operating difficulties and costs.

On May 9, 2018, we completed the sale of our European vacation rentals business and, during the fourth quarter of 2018, we commenced activities to facilitate the sale of our North American vacation rentals business. Dispositions of businesses, such as our European vacation rentals transaction and proposed North American vacations rentals transaction, pose risks and challenges that could negatively impact our business, including costs or disputes with buyers. Dispositions may also involve continued financial involvement, as we may be required to retain responsibility for, or agree to indemnify buyers against, credit support obligations, contingent liabilities related to a divested business, such as lawsuits, tax liabilities, or other matters. Under these types of arrangements, performance by the divested business or other conditions outside of our control could affect our financial condition or results of operations. See Note 27—*Transactions with Former Parent and Former Subsidiaries* to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K for a description of our obligations related to the European vacation rentals business and Note 7-*Held-for-Sale Business* to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K for more details on the proposed North American vacation rentals transaction.

Our revenues are highly dependent on the travel industry and declines in or disruptions to the travel industry such as those caused by economic conditions, terrorism, political strife, severe weather events and other natural disasters, war and pandemics or threats of pandemics may adversely affect us.

Declines in or disruptions to the travel industry may adversely impact us. Risks affecting the travel and timeshare industries include: economic slowdown and recession; economic factors such as increased costs of living and reduced discretionary income adversely impacting decisions by consumers and businesses to use and consume travel services and products; terrorist incidents and threats and associated heightened travel security measures; political and regional strife; natural disasters such as earthquakes, hurricanes, fires, floods and volcano eruptions; war; concerns with or threats of pandemics, contagious diseases or health epidemics; environmental disasters; lengthy power outages; increased pricing, financial instability and capacity constraints of air carriers; airline job actions and strikes; and increases in gasoline and other fuel prices. Any such disruptions to the travel or timeshare industries may adversely affect our affiliated resorts, our RCI affiliates and other developers of vacation ownership resorts and timeshare property owner associations, thereby impacting our operations and the trading price of our common stock.

We are subject to numerous business, financial, operating and other risks common to the timeshare industry, any of which could reduce our revenues and our ability to make distributions and limit opportunities for growth.

Our business is subject to numerous business, financial, operating and other risks common to the timeshare industry, including adverse changes with respect to any of the following:

- consumer travel and vacation patterns and consumer preferences;
- increased or unanticipated operating costs, including as a result of inflation, energy costs and labor costs such as minimum wage increases and unionization, workers' compensation and health-care related costs and insurance which may not be fully offset by price or fee increases in our business or otherwise;
- desirability of geographic regions where resorts in our business are located;
- the supply and demand for vacation ownership services and products and exchange and rentals services and products;
- seasonality in our businesses, which may cause fluctuations in our operating results;
- geographic concentrations of our operations and customers;
- the availability of acceptable financing and the cost of capital as they apply to us, our customers, our RCI affiliates and other developers of vacation ownership resorts and timeshare property owner associations;
- the quality of the services provided by affiliated resorts and properties in our exchange and rentals business or resorts in which we sell vacation ownership interests or participants in the Wyndham Rewards loyalty program, which may adversely affect our image, reputation and brand value;
- overbuilding or excess capacity in one or more segments of the timeshare industry or in one or more geographic regions;
- our ability to develop and maintain positive relations and contractual arrangements with vacation ownership interest owners, current and potential vacation exchange members, resorts with units that are exchanged through our exchange and rentals business and timeshare property owner associations;
- organized labor activities and associated litigation;
- the bankruptcy or insolvency of customers, which could impair our ability to collect outstanding fees or other amounts due or otherwise exercise our contractual rights;
- our effectiveness in keeping pace with technological developments, which could impair our competitive position;
- disruptions, including non-renewal or termination of agreements, in relationships with third parties including marketing alliances and affiliations with e-commerce channels;
- owners or other developers that have development advance notes with, or who have received loans or other financial arrangements incentives from, us may experience financial difficulties;
- consolidation of developers could adversely affect our exchange and rentals business;
- decrease in the supply of available exchange and rentals accommodations due to, among other reasons, a decrease in inventory included in the system or resulting from ongoing property renovations or a decrease in member deposits could adversely affect our exchange and rentals business;
- decrease in or delays or cancellations of planned or future development or refurbishment projects;
- the viability of property owners' associations that we manage and the maintenance and refurbishment of vacation ownership properties, which depend on property owners associations levying sufficient maintenance fees and the ability of members to pay such maintenance fees;
- increases in maintenance fees, which could cause our product to become less attractive or less competitive;
- our ability to securitize the receivables that we originate in connection with sales of vacation ownership interests;
- defaults on loans to purchasers of vacation ownership interests who finance the purchase price of such vacation ownerships;
- the level of unlawful or deceptive third-party vacation ownership interest resale schemes, which could damage our reputation and brand value;

- the availability of and competition for desirable sites for the development of vacation ownership properties, difficulties associated with obtaining required approvals to develop vacation ownership properties, liability under state and local laws with respect to any construction defects in the vacation ownership properties we develop, and risks related to real estate project development costs and completion;
- private resale of vacation ownership interests and the sale of vacation ownership interests on the secondary market, which could adversely affect our vacation ownership resorts and exchange and rentals business;
- disputes with owners of vacation ownership interests, property owners associations, and vacation exchange affiliation partners, which may result in litigation and the loss of management contracts;
- laws, regulations and legislation internationally and domestically, and on a federal, state or local level, concerning the timeshare industry, which may make the operation of our business more onerous, more expensive or less profitable;
- our failure or inability to adequately protect and maintain our trademarks and other intellectual property rights; and
- market perception of the timeshare industry and negative publicity from online social media postings and related media reports, which could damage our brands.

Any of these factors could increase our costs, reduce our revenues or otherwise adversely impact our opportunities for growth.

Third-party Internet reservation systems and peer-to-peer online networks may adversely impact us.

Consumers increasingly use third-party Internet travel intermediaries and peer-to-peer online networks to search for and book their lodging accommodations. As the percentage of Internet reservations increases, travel intermediaries may be able to obtain higher commissions and reduced room rates from us to the detriment of our business. Additionally, such travel intermediaries may divert reservations away from our direct online channels or increase the overall cost of Internet reservations for our affiliated resorts through their fees. As the use of these third-party reservation channels and peer-to-peer online networks increases, consumers may rely on these channels, adversely affecting our vacation ownership, resort and rental brands, reservation systems, bookings and rates. The continued development and use of peer-to-peer online networks for lodging and vacation rentals are also causing some local governments to enact bans or restrictions on short-term property rentals that may adversely impact our vacation rental business. In addition, if we fail to reach satisfactory agreements with travel intermediaries as our contracts with them come up for periodic renewal, our affiliated resorts may no longer appear on their websites and we could lose business as a result.

In addition to competing with traditional hotels, resorts, lodging and vacation rental properties, our vacation rental business competes with alternative lodging channels, including third-party providers of short-term rental properties and serviced apartments. Increasing use of these alternative lodging channels could materially adversely affect the occupancy and/or average rates and prices at our resorts and vacation properties and our revenues.

We are subject to risks related to our vacation ownership receivables portfolio.

We are subject to risks that purchasers of vacation ownership interests who finance a portion of the purchase price default on their loans due to adverse macro or personal economic conditions, third-party organizations that encourage defaults, or otherwise, which necessitates increases in loan loss reserves and adversely affects loan portfolio performance. When such defaults occur during the early part of the loan amortization period, we may not have recovered the marketing, selling, administrative and other costs associated with such vacation ownership interests. Additional costs are incurred in connection with the resale of repossessed vacation ownership interests, and the value we recover in a resale is not in all instances sufficient to cover the outstanding debt on the defaulted loan.

Our international operations are subject to additional risks not generally applicable to our domestic operations.

Our international operations are subject to numerous risks, including exposure to local economic conditions; potential adverse changes in the diplomatic relations of foreign countries with the U.S.; hostility from local populations; political instability; threats or acts of terrorism; the effect of disruptions caused by severe weather, natural disasters, outbreak of disease or other events that make travel to a particular region less attractive or more difficult; the presence and acceptance of varying levels of business corruption in international markets and the effect of various anti-corruption and other laws; restrictions and taxes on the withdrawal of foreign investment and earnings; government policies against businesses or properties owned by non-U.S. citizens; investment restrictions or requirements; diminished ability to legally enforce our contractual rights in foreign countries; forced nationalization of assets by local, state or national governments; foreign exchange restrictions; fluctuations in foreign currency exchange rates; conflicts between local laws and U.S. laws including laws that impact our rights to protect our intellectual property; withholding and other taxes on remittances and other payments by subsidiaries; and changes in and application of foreign taxation structures including value added taxes. Any of these risks or any adverse outcome resulting from the financial instability or performance of foreign economies, the instability of other currencies and the related volatility on foreign exchange and interest rates, could impact our results of operations, financial position or cash flows.

Changes in U.S. federal, state and local or foreign tax law, interpretations of existing tax law, or adverse determinations by tax authorities, could increase our tax burden or otherwise adversely affect our financial condition or results of operations.

We are subject to taxation at the federal, state and local levels in the U.S. and various other countries and jurisdictions. Our future effective tax rate and future cash flows could be affected by changes in the composition of earnings in jurisdictions with differing tax rates, changes in statutory rates and other legislative changes, changes in the valuation of our deferred tax assets and liabilities, changes in determinations regarding the jurisdictions in which we are subject to tax, and our ability to repatriate earnings from foreign jurisdictions. From time to time, U.S. federal, state and local and foreign governments make substantive changes to tax rules and their application, which could result in materially higher corporate taxes than would be incurred under existing tax law and could otherwise adversely affect our financial condition or results of operations. This includes potential changes in tax laws or the interpretation of tax laws arising out of the Base Erosion Profit Shifting project initiated by the Organization for Economic Co-operation and Development.

We are subject to ongoing and periodic tax audits and disputes in U.S. federal and various state, local and foreign jurisdictions. An unfavorable outcome from any tax audit could result in higher tax costs, penalties and interest, thereby adversely affecting our financial condition or results of operations.

Additionally, on December 22, 2017, the Tax Cuts and Jobs Act of 2017 was enacted in the U.S., which broadly reforms the corporate tax system. The tax reform law, which among other items, reduces the U.S. corporate tax rate, eliminates or limits the deduction of certain expenses which were previously deductible, imposes a mandatory deemed repatriation tax on undistributed historic earnings of foreign subsidiaries and requires a minimum tax on earnings generated by foreign subsidiaries, significantly impacts our effective tax rate, cash tax expenses and/or deferred income tax balances.

We are subject to certain risks related to our indebtedness, hedging transactions, securitization of certain of our assets, surety bond requirements, the cost and availability of capital and the extension of credit by us.

We are a borrower of funds under credit facilities, credit lines, senior notes, a term loan and securitization financings. We use financial instruments to reduce or hedge our financial exposure to the effects of currency and interest rate fluctuations. We are required to post surety bonds in connection with our development and sales activities. In connection with our debt obligations, hedging transactions, securitization of certain of our assets, surety bond requirements, the cost and availability of capital and the extension of credit by us, we are subject to numerous risks, including:

- our cash flows from operations or available lines of credit may be insufficient to meet required payments of principal and interest, which could result in a default and acceleration of the underlying debt and other debt instruments that contain cross-default provisions;
- we may be unable to comply with the terms of the financial covenants under our revolving credit facility or other debt, including a breach of the financial ratio tests, which could result in a default and acceleration of the underlying revolver debt and under other debt instruments that contain cross-default provisions;
- our leverage may adversely affect our ability to obtain additional financing on favorable terms or at all;
- our leverage may require the dedication of a significant portion of our cash flows to the payment of principal and interest thus reducing the availability of cash flows to fund working capital, capital expenditures, dividends, share repurchases or other operating needs;
- increases in interest rates may adversely affect our financing costs and the costs of our vacation ownership interest financing and associated increases in hedging costs;
- rating agency downgrades of our debt could increase our borrowing costs and prevent us from obtaining additional financing on favorable terms or at all;
- failure or non-performance of counterparties to foreign exchange and interest rate hedging transactions could result in losses;
- an inability to securitize our vacation ownership loan receivables on terms acceptable to us because of, among other factors, the performance of the vacation ownership loan receivables, adverse conditions in the market for vacation ownership loan-backed notes and asset-backed notes in general and the risk that the actual amount of uncollectible accounts on our securitized vacation ownership loan receivables and other credit we extend is greater than expected;
- breach of portfolio performance triggers under securitization transactions which if violated may result in a disruption or loss of cash flow from such transactions;
- a reduction in commitments from surety bond providers, which may impair our vacation ownership business by requiring us to escrow cash in order to meet regulatory requirements of certain states;
- prohibitive cost, or inadequate availability, of capital could restrict the development or acquisition of vacation ownership resorts by us and the financing of purchases of vacation ownership interests;

- the inability of developers of vacation ownership properties that have received mezzanine and other loans from us to pay back such loans;
- increases in interest rates, which may prevent us from passing along the full amount of such increases to purchasers of vacation ownership interests to whom we provide financing; and
- disruptions in the financial markets, including potential financial uncertainties surrounding the United Kingdom's pending withdrawal from the European Union, commonly referred to as "Brexit," and the failure of financial institutions that support our credit facilities, general economic conditions and market liquidity factors outside of our control, which may limit our access to short- and long-term financing, credit and capital.

We are subject to risks associated with the current interest rate environment and to the extent we use debt to finance our investments, changes in interest rates will affect our cost of capital and net investment income.

Since mid-2007, interest rates have remained low. Because longer-term inflationary pressure is likely to result from the U.S. government's fiscal policies and challenges during this time, we will likely experience rising interest rates, rather than falling rates, and have experienced increases to LIBOR in 2018.

To the extent we borrow money or issue debt securities or preferred stock to make investments, our net investment income will depend, in part, upon the difference between the rate at which we borrow funds or pay interest or dividends on such debt securities or preferred stock and the rate at which we invest these funds. In addition, some of our debt investments and borrowings have floating interest rates that reset on a periodic basis, and some of our investments are subject to interest rate floors. As a result, a change in market interest rates could have a material adverse effect on our net investment income, in particular with respect to increases from current levels to the level of the interest rate floors on certain investments. We may use interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations. Such techniques may include various interest rate hedging activities. These activities may limit our ability to participate in the benefits of lower interest rates with respect to the hedged borrowings. Adverse developments resulting from changes in interest rates or hedging transactions could have a material adverse effect on our business, financial condition and results of operations.

In July 2017, the United Kingdom Financial Conduct Authority announced its desire to phase out the use of LIBOR by the end of 2021. There is no definitive information regarding the future utilization of LIBOR or of any particular replacement rate. As such, the potential effect of any such event on our cost of capital and net investment income cannot yet be determined. In addition, any further changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the market value for or value of any of our LIBOR-linked securities, loans, and other financial obligations or extensions of credit held by or due to us and could have a material adverse effect on our business, financial condition and results of operations. See further discussion in Note 15—*Debt* to the Consolidated Financial Statements, included in Item 8 of this Annual Report on Form 10-K.

We are subject to risks related to litigation.

We are subject to a number of claims and legal proceedings and the risk of future litigation as described in these Risk Factors and throughout this report and as may be updated in subsequent SEC filings from time to time, including, but not limited to, with respect to Cendant and the spin-off of Wyndham Hotels & Resorts, Inc. See further discussion in Note 19—*Commitments and Contingencies* to the Consolidated Financial Statements and Note 27—*Transactions with Former Parent and Former Subsidiaries* to the Consolidated Financial Statements, both included in Item 8 of this Annual Report on Form 10-K. We cannot predict with certainty the ultimate outcome and related damages and costs of litigation and other proceedings filed or asserted by or against us. Unfavorable rulings or outcomes in litigation and other proceedings may harm our business.

Our operations are subject to extensive regulation and the cost of compliance or failure to comply with such regulations may adversely affect us.

Our operations are regulated by federal, state and local governments in the countries in which we operate. In addition, U.S. and international federal, state and local regulators may enact new laws and regulations that may reduce our revenues, cause our expenses to increase or require us to modify our business practices substantially. If we are not in compliance with applicable laws and regulations, including, among others, those governing timeshare (including required government registrations), vacation rentals, consumer financings and other lending, information security, data protection and privacy (including the General Data Protection Regulation), credit card and payment card security standards, marketing, sales, consumer protection and advertising, unfair and deceptive trade practices, fraud, bribery and corruption, telemarketing (including do-not-call and call-recording regulations), licensing, labor, employment, anti-discrimination, health care, health and safety, accessibility, immigration, gaming, environmental (including climate change) and remediation, intellectual property, securities, stock exchange listing, accounting, tax and regulations applicable under the Dodd-Frank Act, Office of Foreign Asset Control, Americans with Disabilities Act, the Sherman Act, the Foreign Corrupt Practices Act and local equivalents in international

jurisdictions, including the United Kingdom Bribery Act, we may be subject to regulatory investigations or actions, fines, civil and/or criminal penalties, injunctions and potential criminal prosecution.

While we continue to monitor all such laws and regulations and provide training to our employees as part of our compliance programs, the cost of compliance with such laws and regulations impacts our operating costs and compliance with such laws and regulations may also impact or restrict the manner in which we operate and market our business. There can be no assurance that our compliance programs will protect us against any non-compliance with these laws and regulations. Future changes to such laws and regulations and the cost of compliance or failure to comply with such regulations may adversely affect us.

Failure to maintain the security of personally identifiable and proprietary information, non-compliance with our contractual obligations or other legal obligations regarding such information or a violation of our privacy and security policies with respect to such information could adversely affect us.

In connection with our business, we and our service providers collect and retain large volumes of certain types of personal and proprietary information pertaining to our guests, shareholders and employees. Such information includes, but is not limited to, large volumes of guest credit and payment card information, guest travel documents, other identification documents, account numbers and other personally identifiable information. We are subject to attack by cyber-criminals operating on a global basis attempting to gain access to such information, and the integrity and protection of that guest, shareholder and employee data is critical to us.

While we maintain what we believe are reasonable security controls over personal and proprietary information, including the personal information of guests, shareholders and employees, any breach of or breakdown in our systems that results in the theft, loss, fraudulent use or other unauthorized release of personal or proprietary information or other data could nevertheless occur and persist for an extended period of time without detection, which could have a material adverse effect on our brands, reputation, business, financial condition and results of operations, as well as subject us to significant regulatory actions and fines, litigation, losses, third-party damages and other liabilities. Such a breach or a breakdown could also materially increase our costs to protect such information and to protect against such risks. Our and our third-party service providers' vulnerability to attack exists in relation to known and unknown threats. As a consequence, the security measures we deploy are not perfect or impenetrable, and despite our investment in and maintenance of such controls, we may be unable to anticipate or prevent all unauthorized access attempts made on our systems or those of our third-party service providers.

Additionally, the legal and regulatory environment surrounding information security and privacy in the U.S. and international jurisdictions is constantly evolving. For example, the recently enacted EU General Data Protection Regulation ("GDPR") imposes significant obligations to businesses that sell products or services to EU customers or otherwise control or process personal data of EU residents. Complying with GDPR could increase our compliance cost. In addition, should we violate or not comply with GDPR or any other applicable laws or regulations, contractual requirements relating to data security and privacy, or with our own privacy and security policies, either intentionally or unintentionally, or through the acts of intermediaries, it could have a material adverse effect on our brands, marketing, reputation, business, financial condition and results of operations, as well as subject us to significant fines, litigation, losses, third-party damages and other liabilities. In the United States, California enacted the California Consumer Privacy Act of 2018, or the CCPA. The CCPA provides to California consumers certain new access, deletion and opt-out rights related to their personal information, imposes civil penalties for violations and affords, in certain cases, a private right of action for data breaches. The CCPA is scheduled to take effect on January 1, 2020 and the Company is currently evaluating the CCPA's potential impact on its business or operations. Compliance with the CCPA may require us to incur significant costs and expenses.

Our information technology infrastructure, including but not limited to our, and our third-party service providers', information systems and legacy proprietary online reservation and management systems, has been and will likely continue to be vulnerable to system failures such as server malfunction or software or hardware failures, computer hacking, phishing attacks, user error, cyber-terrorism, loss of data, computer viruses and malware installation, and other intentional or unintentional interference, negligence, fraud, misuse and other unauthorized attempts to access or interfere with these systems and our personal and proprietary information. In addition, as we transition from our legacy systems to new, cloud-based technologies, we may face start-up issues that may negatively impact guests. The increased scope and complexity of our information technology infrastructure and systems could contribute to the potential risk of security breaches or breakdown.

The insurance we carry may not always pay, or be sufficient to pay or reimburse us, for our liabilities, losses or replacement costs.

We carry insurance for general liability, property, business interruption, cyber security, and other insurable risks with respect to our business operations. We also self-insure for certain risks up to certain monetary limits. The terms and conditions or the amounts of coverage of our insurance may not at all times be sufficient to pay or reimburse us for the amount of our liabilities, losses or

replacement costs, and there may also be risks for which we do not obtain insurance in the full amount or at all concerning a potential loss or liability, due to the cost or availability of such insurance. As a result, we may incur liabilities or losses in the operation of our business that are substantial, which are not sufficiently covered by the insurance we maintain, or at all, which could have a material adverse effect on our business, financial condition and results of operations. Following the significant casualty losses incurred by the insurance industry due to hurricanes, fires and other events, property insurance costs may be higher, and availability may be lower, in future periods, particularly in certain geographies.

We rely on information technologies and systems to operate our business, which involves reliance on third-party service providers and on uninterrupted operation of service facilities.

We rely on information technologies and systems to operate our business, which involves reliance on third-party service providers and on uninterrupted operation of service facilities, including those used for reservation systems, payments systems, vacation exchange systems, property management, communications, procurement, member record databases, call centers, operation of our loyalty programs and administrative systems. We also maintain physical facilities to support these systems and related services. Any natural disaster, cyberattack, disruption or other impairment in our technology capabilities and service facilities or those of our third-party service providers could result in denial or interruption of service, financial losses, customer claims, litigation or damage to our reputation, or otherwise harm our business. In addition, any failure of our ability to provide our reservation systems, as a result of failures related to us or our third-party providers, may deter prospective resort owners from entering into agreements with us, and may expose us to liability from other parties with whom we have contracted to provide reservation services. Similarly, failure to keep pace with developments in technology could impair our operations or competitive position.

We are subject to risks related to corporate social responsibility.

Many factors influence our reputation and the value of our brands including the perception held by our customers and other key stakeholders and the communities in which we do business. Our business faces increasing scrutiny related to environmental, social and governance activities and risk of damage to our reputation and the value of our brands if we fail to act responsibly or comply with regulatory requirements in a number of areas, such as safety and security, responsible tourism, environmental stewardship and sustainability, supply chain management, climate change, diversity, human rights and modern slavery, philanthropy and support for local communities.

The continuing evolution of social media presents new challenges and requires us to keep pace with new developments and trends. Negative posts or comments about us, the properties we manage or our brands on any social networking or user-generated review website, including travel and vacation property websites, could affect consumer opinions of us and our products, and we cannot guarantee that we will timely or adequately redress such instances.

Current and future international operations expose us to additional challenges and risks that may not be inherent in operating solely in the U.S., including, but not limited to, our ability to sell products and services, enforce intellectual property rights and staff and manage operations due to different social or cultural norms and practices that are not customary in the U.S., distance and language.

We are responsible for certain of Cendant's contingent and other corporate liabilities.

Under the separation agreement and the tax sharing agreement that we executed with Cendant (now Avis Budget Group) and former Cendant units, Realogy and Travelport, we and Realogy generally are responsible for 37.5% and 62.5%, respectively, of certain of Cendant's contingent and other corporate liabilities and associated costs including certain contingent and other corporate liabilities of Cendant or its subsidiaries to the extent incurred on or prior to August 23, 2006. As a result of the completion of the spin-off of our hotel business, Wyndham Hotels & Resorts, Inc. agreed to retain one-third of Cendant's contingent and other corporate liabilities and associated costs; therefore, we are responsible for 25% of these liabilities and costs subsequent to the Spin-off. These liabilities include those relating to certain of Cendant's terminated or divested businesses, the Travelport sale, certain Cendant- related litigation, actions with respect to the separation plan and payments under certain contracts that were not allocated to any specific party in connection with the separation.

If any party responsible for the liabilities described above were to default on its obligations, each non-defaulting party would be required to pay an equal portion of the amounts in default. Accordingly, we could under certain circumstances be obligated to pay amounts in excess of our share of the assumed obligations related to such liabilities including associated costs.

Changes to estimates or projections used to assess the fair value of our assets or operating results that are lower than our current estimates may cause us to incur impairment losses and require us to write-off all or a portion of the remaining value of our goodwill or other intangibles of companies we have acquired.

Our total assets include goodwill and other intangible assets. We evaluate our goodwill for impairment on an annual basis or at other times during the year if events or circumstances indicate that it is more likely than not that the fair value is below the carrying value. We may be required to record a significant non-cash impairment charge in our financial statements during the period in which any impairment of our goodwill, other intangible assets or other assets is determined, negatively impacting our results of operations and shareholders' equity.

Risks Related to Our Common Stock

The trading price of our shares of common stock may continue to fluctuate.

The trading price of our common stock may continue to fluctuate depending upon many factors, some of which may be beyond our control including our quarterly or annual earnings or those of other companies in our industry; actual or anticipated fluctuations in our operating results due to seasonality and other factors related to our business; our ability or perceived ability to realize the benefits of the Spin-off; our credit ratings, including the impact of the Spin-off on such ratings; changes in accounting principles or rules; announcements by us or our competitors of significant acquisitions or dispositions; the lack of securities analysts covering our common stock; changes in earnings estimates by securities analysts or our ability to meet those estimates; the operating and stock price performance of comparable companies; overall market fluctuations; and general economic conditions. Stock markets in general have experienced volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations may adversely affect the trading price of our common stock.

Your percentage ownership in Wyndham Destinations may be diluted in the future.

Your percentage ownership in Wyndham Destinations may be diluted in the future because of equity awards that we have and expect will be granted over time to our Directors and employees. In addition, our Board of Directors ("Board") may issue shares of our common and preferred stock and debt securities convertible into shares of our common and preferred stock up to certain regulatory thresholds without shareholder approval.

Provisions in our certificate of incorporation and by-laws and under Delaware law may prevent or delay an acquisition of Wyndham Destinations which could impact the trading price of our common stock.

Our certificate of incorporation and by-laws and Delaware law contain provisions that are intended to deter coercive takeover practices and inadequate takeover bids. These provisions include that shareholders do not have the right to act by written consent, rules regarding how shareholders may present proposals or nominate directors for election at shareholder meetings, the right of our Board to issue preferred stock without shareholder approval and limitations on the right of shareholders to remove directors. Delaware law also imposes restrictions on mergers and other business combinations between us and any holder of 15% or more of our outstanding common stock. We believe these provisions protect our shareholders from coercive or otherwise unfair takeover tactics by requiring potential acquirers to negotiate with our Board and by providing our Board with more time to assess any acquisition proposal. These provisions are not intended to make us immune from takeovers. However, these provisions apply even if the offer may be considered beneficial by some stockholders and could delay or prevent an acquisition that our Board determines is not in the best interests of our company and our shareholders.

We cannot provide assurance that we will continue to pay dividends or purchase shares of our common stock under our share repurchase program.

There can be no assurance that we will have sufficient cash or surplus under Delaware law to be able to continue to pay dividends or purchase shares of our common stock under our share repurchase program. This may result from extraordinary cash expenses, actual expenses exceeding contemplated costs, funding of capital expenditures, increases in reserves or lack of available capital. Our Board may also suspend the payment of dividends or our share repurchase program if the Board deems such action to be in the best interests of our shareholders.

Risks Related to the Recent Spin-Off

We may be unable to achieve some or all of the benefits we expect to achieve from the spin-off.

On May 31, 2018, we completed the spin-off of our hotel business - Wyndham Hotels & Resorts, Inc. Although we believe that the Spin-off will enhance our long-term value, we may not be able to achieve some or all of the anticipated benefits from the separation of our businesses, and the Spin-off may adversely affect our business. Separating the businesses resulted in two independent, publicly traded companies, each of which is now a smaller, less diversified and more narrowly focused business than before the Spin-off, which makes us more vulnerable to changing market and economic conditions and the risk of takeover by third parties. Operating as a smaller, independent entity may reduce or eliminate some of the benefits and synergies which previously existed across our business platforms before the Spin-off, including our operating diversity, purchasing and borrowing leverage, available capital for investments, partnerships and relationships and opportunities to pursue integrated strategies with the businesses within our former combined company and the ability to attract, retain and motivate key employees. In addition, as a smaller company, our ability to absorb costs may be negatively impacted, including the significant cost of the Spin-off transaction, and we may be unable to obtain financing, goods or services at prices or on terms as favorable as those obtained by our former combined company. Any of these factors could have a material adverse effect on our business, financial condition, results of operations, cash flows, business prospects and the trading price of our common stock. By spinning-off our hotel business, we also may be more susceptible to market fluctuations and other adverse events than we would be if we did not spin-off the hotel business. If we fail to achieve some or all of the benefits that we expect to achieve as a result of the Spin-off, or do not achieve them in the time we expect, our results of operations and financial condition could be materially adversely affected.

Our business operations are dependent upon our new senior management team and the ability of our other new employees to learn their new roles.

In connection with the Spin-off and the transition of our corporate headquarters from Parsippany, New Jersey to Orlando, Florida, we substantially changed our senior management team and have replaced many of the other employees performing key functions at our corporate headquarters. As new employees gain experience in their roles, we could experience inefficiencies or a lack of business continuity due to loss of historical knowledge and a lack of familiarity of new employees with business processes, operating requirements, policies and procedures, some of which are new, and key information technologies and related infrastructure used in our day-to-day operations and financial reporting and we may experience additional costs as new employees learn their roles and gain necessary experience. It is important to our success that these key employees quickly adapt to and excel in their new roles. If they are unable to do so, our business and financial results could be materially adversely affected. In addition, losing the services of any member of our senior management team could adversely affect our strategic and customer relationships and impede our ability to execute our business strategies. The market for qualified individuals may be highly competitive and finding and recruiting suitable replacements for senior management may be difficult, time consuming and costly.

The Spin-off and related transactions may expose us to potential liabilities arising out of state and federal fraudulent conveyance laws and legal distribution requirements.

While we did receive a solvency opinion from an investment bank confirming that we and Wyndham Hotels & Resorts, Inc. were adequately capitalized immediately after the Spin-off, the Spin-off could be challenged under various state and federal fraudulent conveyance laws. An unpaid creditor could claim that we did not receive fair consideration or reasonably equivalent value in the Spin-off, and that the Spin-off left us insolvent or with unreasonably small capital or that we intended or believed we would incur debts beyond our ability to pay such debts as they mature. If a court were to agree with such a plaintiff, then such court could void the Spin-off as a fraudulent transfer and could impose a number of different remedies, including without limitation, returning the assets or the shares of common stock in Wyndham Hotels & Resorts, Inc. being distributed as part of the Spin-off or providing us with a claim for money damages against the spun-off business in an amount equal to the difference between the consideration received by us and the fair market value of Wyndham Hotels & Resorts, Inc. at the time of the Spin-off.

Following completion of the Spin-off, our success depends in part on our ongoing relationship with Wyndham Hotels & Resorts, Inc.

In connection with the Spin-off, we entered into a number of agreements with Wyndham Hotels & Resorts, Inc. that govern the ongoing relationships between Wyndham Hotels & Resorts, Inc. and us following the Spin-off. Our success will depend, in part, on the maintenance of these ongoing relationships with Wyndham Hotels & Resorts, Inc. as well as Wyndham Hotels & Resorts, Inc.'s performance of its obligations under these agreements, including Wyndham Hotels & Resorts, Inc.'s maintenance of the quality of its products and services as well as the reputation of the Wyndham-branded trademarks, tradenames and certain related intellectual property that we license from it pursuant to the license, development and

noncompetition agreement. If we are unable to maintain a good relationship with Wyndham Hotels & Resorts, Inc., or if Wyndham Hotels & Resorts, Inc. does not perform its obligations under these agreements, fails to protect the trademarks, tradenames and intellectual property that we license from it or if these brands deteriorate or materially change in an adverse manner, or the reputation of these brands declines, our brand may be negatively affected, our profitability and revenues could decrease and our growth potential may be adversely affected.

We are responsible for certain contingent and other corporate liabilities incurred prior to the Spin-off.

In accordance with the agreements we entered into with Wyndham Hotels in connection with the spin-off, Wyndham Hotels assumed one-third and Wyndham Destinations assumed two-thirds of certain contingent and other corporate liabilities of the Company incurred prior to the distribution, including liabilities of the Company related to certain terminated or divested businesses, certain general corporate matters, and any actions with respect to the separation plan. See Note 27—*Transactions with Former Parent and Former Subsidiaries* to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K for a description of our obligations related to Wyndham Hotels.

If Wyndham Hotels was to default on its obligations, we would be required to pay the amounts in default. Accordingly, we could under certain circumstances be obligated to pay amounts in excess of our share of the assumed obligations related to such liabilities including associated costs.

Certain directors who serve on our Board of Directors currently serve as directors of Wyndham Hotels & Resorts, Inc. following the Spin-off, and ownership of shares of common stock of Wyndham Hotels & Resorts, Inc. following the Spin-off by our directors and executive officers may create, or appear to create, conflicts of interest.

Certain of our directors who serve on our Board of Directors currently serve on the board of directors of Wyndham Hotels & Resorts, Inc. This may create, or appear to create, conflicts of interest when our or Wyndham Hotels & Resorts, Inc.'s management and directors face decisions that could have different implications for us and Wyndham Hotels & Resorts, Inc., including the resolution of any dispute regarding the terms of the agreements governing the Spin-off and the relationship between us and Wyndham Hotels & Resorts, Inc. after the Spin-off or any other commercial agreements entered into in the future between us and Wyndham Hotels & Resorts, Inc.

Substantially all of our executive officers and some of our non-employee directors currently own shares of the common stock of Wyndham Hotels & Resorts, Inc. The continued ownership of such common stock by our directors and executive officers following the Spin-off creates or may create the appearance of a conflict of interest when these directors and executive officers are faced with decisions that could have different implications for us and Wyndham Hotels & Resorts, Inc.

If the distribution, together with certain related transactions, were to fail to qualify as a reorganization for U.S. federal income tax purposes under Sections 368(a)(l)(D) and 355 of the Internal Revenue Code of l986, as amended (Code), then our shareholders, we and Wyndham Hotels & Resorts, Inc. might be required to pay substantial U.S. federal income taxes.

The distribution was conditioned upon our receipt of opinions of our spin-off tax advisors to the effect that, subject to the assumptions and limitations described therein, the distribution, together with certain related transactions, will qualify as a reorganization for U.S. federal income tax purposes under Sections 368(a)(1)(D) and 355 of the Code in which no gain or loss is recognized by us or our shareholders, except, in the case of our shareholders, for cash received in lieu of fractional shares. The opinions of our spin-off tax advisors were based on, among other things, certain assumptions as well as on the continuing accuracy of certain factual representations and statements that we and Wyndham Hotels & Resorts, Inc. made to the spin-off tax advisors. In rendering their opinions, the spin-off tax advisors also relied on certain covenants that we and Wyndham Hotels & Resorts, Inc. entered into, including the adherence by us and by Wyndham Hotels & Resorts, Inc. to certain restrictions on future actions contained in the Tax Matters Agreement. If any of the representations or statements that we or Wyndham Hotels & Resorts, Inc. made are or become inaccurate or incomplete, or if we or Wyndham Hotels & Resorts, Inc. breach any of such covenants, the distribution and such related transactions might not qualify for such tax treatment. The opinions of the spin-off tax advisors are not binding on the U.S. Internal Revenue Service (“IRS”) or a court, and there can be no assurance that the IRS will not challenge the validity of the distribution and such related transactions as a reorganization for U.S. federal income tax purposes under Sections 368(a)(1)(D) and 355 of the Code eligible for tax-free treatment, or that any such challenge ultimately will not prevail.

In addition, we received a private letter ruling from the IRS regarding certain U.S. federal income tax aspects of transactions related to the Spin-off (“IRS Ruling”). Although the IRS Ruling generally is binding on the IRS, the continued validity of the IRS Ruling will be based upon and subject to the continuing accuracy of factual statements and representations made to the IRS by us. In addition, there is a risk that the IRS could promulgate new administrative guidance prior to the Spin-off that could

adversely impact the tax-free treatment of the distribution (even taking into account the receipt of the IRS Ruling). The IRS Ruling is limited to specified aspects of the Spin-off under Sections 355 and 361 of the Code and does not represent a determination by the IRS that all of the requirements necessary to obtain tax-free treatment to holders of our common stock and to us have been satisfied.

If the distribution does not qualify as a tax-free transaction for any reason, including as a result of a breach of a representation or covenant, we would recognize a substantial gain attributable to Wyndham Hotels & Resorts, Inc. for U.S. federal income tax purposes. In such case, under U.S. Treasury regulations, each member of our consolidated group at the time of the Spin-off (including the hotel business) would be jointly and severally liable for the entire resulting amount of any U.S. federal income tax liability. Additionally, if the distribution of the common stock of Wyndham Hotels & Resorts, Inc. does not qualify as tax-free under Section 355 of the Code, our shareholders will be treated as having received a taxable distribution equal to the value of the stock distributed, treated as a taxable dividend to the extent of our current and accumulated earnings and profits, and then would have a tax-free basis recovery up to the amount of their tax basis in their shares, and then would have taxable gain from the sale or exchange of the shares to the extent of any excess.

Our ability to engage in acquisitions and other strategic transactions is subject to limitations because we have agreed to certain restrictions intended to support the tax-free nature of the distribution.

The U.S. federal income tax laws that apply to transactions like the Spin-off generally create a presumption that the distribution would be taxable to us (but not to our stockholders) if we engage in, or enter into an agreement to engage in, a transaction that would result in a 50% or greater change by vote or by value in our stock ownership during the four-year period beginning two years before the distribution date, unless it is established that the transaction is not pursuant to a plan or series or transactions related to the distribution. U.S. Treasury regulations currently in effect generally provide that whether an acquisition transaction and a distribution are part of a plan is determined based on all of the facts and circumstances, including specific factors listed in the Treasury regulations. In addition, these Treasury regulations provide several "safe harbors" for acquisition transactions that are not considered to be part of a plan that includes a distribution.

There are other restrictions imposed on us under current U.S. federal income tax laws with which we will need to comply in order for the distribution and certain related transactions to qualify as a transaction that is tax-free under Sections 368(a)(1)(D) and 355 of the Code. For example, we will generally be required to continue to own and manage our business, and there will be limitations on issuances, redemptions and sales of our stock for cash or other property following the distribution, except in connection with certain stock-for-stock acquisitions and other permitted transactions. If these restrictions are not followed, the distribution could be taxable to us and our stockholders.

We entered into a Tax Matters Agreement with Wyndham Hotels & Resorts, Inc. under which we have allocated, between Wyndham Hotels & Resorts, Inc. and ourselves, responsibility for U.S. federal, state and local and non-U.S. income and other taxes relating to taxable periods before and after the Spin-off and provided for computing and apportioning tax liabilities and tax benefits between the parties. In the Tax Matters Agreement, we agreed that, among other things, we may not take, or fail to take, any action following the distribution if such action, or failure to act: would be inconsistent with or prohibit the Spin-off and certain restructuring transactions related to the distribution and certain related transactions from qualifying as a tax-free reorganization under Sections 368(a)(1)(D) and 355 and related provisions of the Code to us and our stockholders (except with respect to the receipt of cash in lieu of fractional shares of our stock); or would be inconsistent with, or cause to be untrue, any representation, statement, information or covenant made in connection with the IRS Ruling, the tax opinions provided by our spin-off tax advisors or the Tax Matters Agreement relating to the qualification of the distribution and certain related transactions as a tax-free transaction under Sections 368(a)(1)(D) and 355 and related provisions of the Code.

In addition, we agreed that we may not, among other things, during the two-year period following the Spin-off, except under certain specified circumstances, issue, sell or redeem our stock or other securities (or those of certain of our subsidiaries); liquidate, merge or consolidate with another person; sell or dispose of assets outside the ordinary course of business or materially change the manner of operating our business; or enter into any agreement, understanding or arrangement, or engage in any substantial negotiations with respect to any transaction or series of transactions which would cause us to undergo a specified percentage or greater change in our stock ownership by value or voting power. These restrictions could limit our strategic and operational flexibility, including our ability to finance our operations by issuing equity securities, make acquisitions using equity securities, repurchase our equity securities, or raise money by selling assets or enter into business combination transactions. We also agreed to indemnify Wyndham Hotels & Resorts, Inc. for certain tax liabilities resulting from any such transactions. Further, our stockholders may consider these covenants and indemnity obligations unfavorable as they might discourage, delay or prevent a change of control.

Table of Contents

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Wyndham Corporate

Our corporate headquarters is located in a leased office at 6277 Sea Harbor Drive in Orlando, Florida, which lease expires in 2025. We also have a leased office in Virginia Beach, Virginia for our Associate Service Center, which lease expires in 2019.

Vacation Ownership

Our vacation ownership business has its main corporate operations in Orlando, Florida pursuant to several leases which begin to expire in 2025. Our vacation ownership business also has leased spaces in Redmond, Washington; Springfield, Missouri; Chicago, Illinois; Las Vegas, Nevada; and Bundall, Australia with various expiration dates between 2020 and 2037. Our vacation ownership business leases space for administrative functions in Las Vegas, Nevada that expires in 2028 and in Northbrook, Illinois that expires in 2020. In addition, our vacation ownership business leases approximately 160 marketing and sales offices, of which, approximately 131 are located throughout the U.S., 16 are located in Australia, four are located in the Caribbean, three are located in Mexico, three are located in Thailand, one is located in Fiji, one is located in New Zealand and one is located in the Philippines. All leases that are due to expire in 2019 are presently under review related to our ongoing requirements.

Exchange & Rentals

Our exchange and rentals business has its main corporate operations in Orlando, Florida pursuant to several leases which begin to expire in 2025, and Indianapolis, Indiana; an owned location. The business also owns 22 properties, of which 19 are located in the U.S., one in the United Kingdom, one in Canada and one in Mexico. It also has 108 leased offices, of which 81 are located in North America, ten in Latin America, nine in Europe, five in Asia Pacific and three in Africa. Such leases have expiration dates between 2019 through 2035. All leases that are due to expire in 2019 are presently under review related to our ongoing requirements.

ITEM 3. LEGAL PROCEEDINGS

We are involved in various claims and lawsuits arising in the ordinary course of business, none of which, in the opinion of management, is expected to have a material adverse effect on our results of operations or financial condition. See Note 19—*Commitments and Contingencies* to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K for a description of claims and legal actions arising in the ordinary course of our business and Note 27—*Transactions with Former Parent and Former Subsidiaries* to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K for a description of our obligations regarding Cendant contingent litigation, matters related to Wyndham Hotels and matters related to the European vacation rentals business.

ITEM 4. MINE SAFETY DISCLOSURES

None.

Table of Contents

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Price of Common Stock

Our common stock is listed on the New York Stock Exchange ("NYSE") under the symbol "WYND", formerly "WYN" prior to the spin-off of the hotel business on May 31, 2018. As of January 31, 2019, the number of stockholders of record was 4,930. The equity plan compensation information called for by Item 201(d) of Regulation S-K is set forth in Item 12 of Part III of this Form 10-K under the heading "Equity Compensation Plan Information as of December 31, 2018."

Issuer Purchases of Equity Securities

Below is a summary of our Wyndham Destinations common stock repurchases by month for the quarter ended December 31, 2018:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Publicly Announced Plan[b]
October 2018 (October 1-31)	851,500	$ 37.37	851,500	$ 884,366,330
November 2018 (November 1-30)	786,279	42.01	786,279	851,332,419
December 2018[a] (December 1-31)	945,831	37.23	945,831	816,116,847
Total [a]	**2,583,610**	**$ 38.73**	**2,583,610**	**$ 816,116,847**

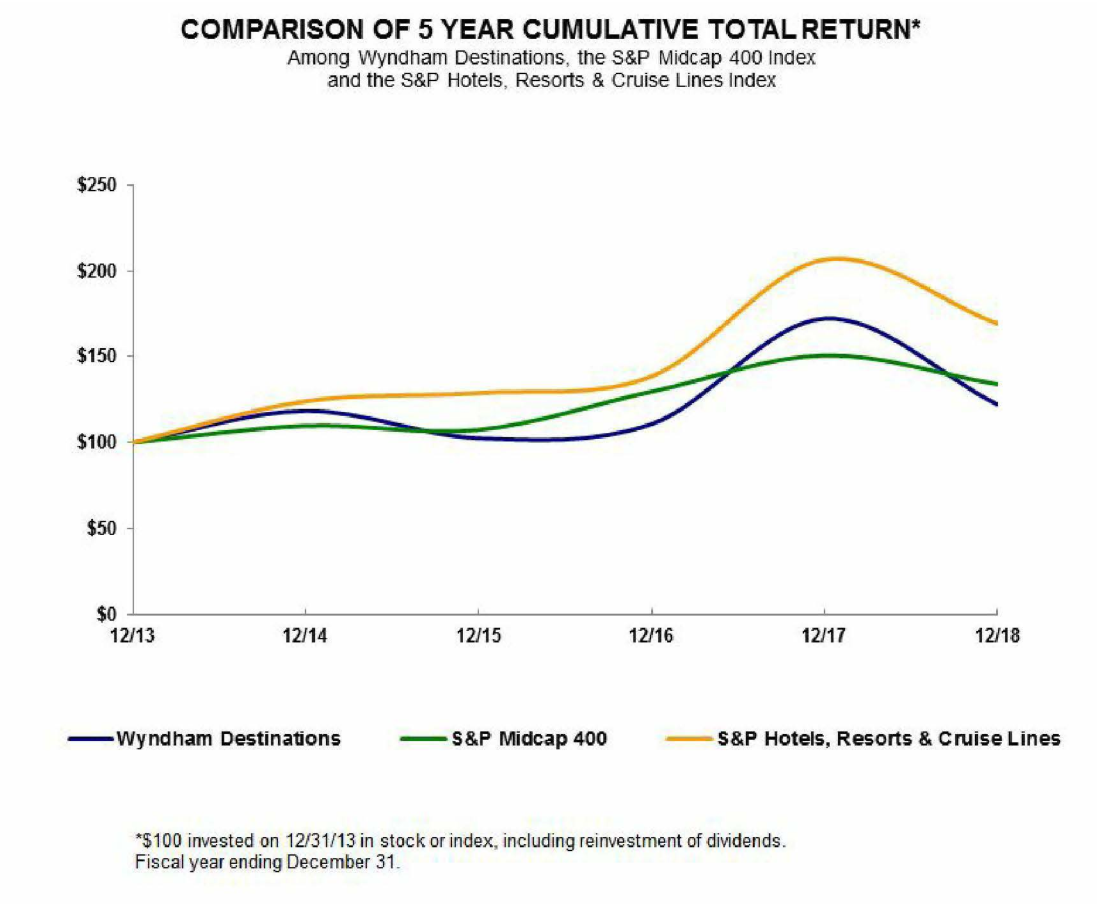
(a) Includes 61,067 shares purchased for which the trade date occurred in December 2018 while settlement occurred in January 2019.

(b) On August 20, 2007, our Board authorized the repurchase of the Company's common stock (the "Share Repurchase Program"). Under the Share Repurchase Program, the Company is authorized to repurchase shares through open market purchases, privately-negotiated transactions or otherwise in accordance with applicable federal securities laws, including through Rule 10b5-1 trading plans and under Rule 10b-18 of the Exchange Act. The Share Repurchase Program has no time limit and may be suspended or discontinued completely at any time. See Share Repurchase Program section included in Item 7 of this Annual Report on Form 10-K for further information on the Share Repurchase Program. The Board has since increased the capacity of the Share Repurchase Program eight times, most recently on October 23, 2017 by $1.0 billion, bringing the total authorization under the program to $6.0 billion. Proceeds received from stock option exercises have increased the repurchase capacity by $78 million since the inception of this program. Under our current and prior stock repurchase plans, the total authorization is $6.8 billion.

Stock Performance Graph

The Stock Performance Graph is not deemed filed with the SEC and shall not be deemed incorporated by reference into any of our prior or future filings made with the SEC.

The following Stock Performance Graph compares the cumulative total stockholder return of our common stock against the cumulative total returns of the Standard & Poor's Rating Services ("S&P") Midcap 400 index and the S&P Hotels, Resorts & Cruise Lines index for the period from December 31, 2013 to December 31, 2018. The graph assumes that $100 was invested on December 31, 2013 and all dividends and other distributions were reinvested.



Cumulative Total Return

	12/13	12/14	12/15	12/16	12/17	12/18
Wyndham Destinations	100.00	118.51	102.49	110.78	172.17	122.20
S&P Midcap 400	100.00	109.77	107.38	129.65	150.71	134.01
S&P Hotels, Resorts & Cruise Lines	100.00	124.06	128.85	138.54	206.55	169.24

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA

	As of or For the Year Ended December 31,				
	2018	2017	2016	2015	2014 (a)
Income Statement Data (in millions):					
Net revenues	$ 3,931	$ 3,806	$ 3,692	$ 3,657	$ 3,498
Expenses					
Operating and other (b)	3,051	3,000	2,907	2,888	2,777
Separation and related costs	223	26	—	—	—
Asset impairments	(4)	205	—	—	7
Depreciation and amortization	138	136	127	119	119
Operating income	523	439	658	650	595
Other (income), net	(38)	(28)	(21)	(15)	(8)
Interest expense	170	155	133	122	110
Early extinguishment of debt	—	—	11	—	—
Interest (income)	(5)	(6)	(7)	(8)	(8)
Income before income taxes	396	318	542	551	501
Provision/(benefit) for income taxes	130	(328)	190	173	232
Income from continuing operations	266	646	352	378	269
(Loss)/income from operations of discontinued businesses, net of income taxes	(50)	209	260	229	258
Income on disposal of discontinued business, net of income taxes	456	—	—	—	—
Net income	672	855	612	607	527
Net income attributable to noncontrolling interest	—	(1)	(1)	—	—
Net income attributable to Wyndham Destinations shareholders	$ 672	$ 854	$ 611	$ 607	$ 527
Per Share Data					
Basic earnings per share					
Continuing operations	$ 2.69	$ 6.26	$ 3.19	$ 3.21	$ 2.14
Discontinued operations	4.11	2.03	2.37	1.94	2.06
	$ 6.80	$ 8.29	$ 5.56	$ 5.15	$ 4.20
Basic weighted average shares outstanding (in millions)	98.9	103.0	109.9	118.0	125.3
Diluted earnings per share					
Continuing operations	$ 2.68	$ 6.22	$ 3.17	$ 3.18	$ 2.12
Discontinued operations	4.09	2.02	2.35	1.92	2.04
	$ 6.77	$ 8.24	$ 5.52	$ 5.10	$ 4.16
Diluted weighted average shares outstanding (in millions)	99.2	103.7	110.6	119.0	126.6
Dividends					
Cash dividends declared per share	$ 1.89	$ 2.32	$ 2.00	$ 1.68	$ 1.40
Balance Sheet Data (in millions):					
Securitized assets (c)	$ 3,028	$ 2,680	$ 2,601	$ 2,576	$ 2,629
Total assets	7,158	10,450	9,866	9,618	9,612
Non-recourse vacation ownership debt (d)	2,357	2,098	2,141	2,106	2,139
Debt (d)	2,881	3,908	3,299	2,997	2,793
Total equity	$ (569)	$ 774	$ 633	$ 864	$ 1,170
Operating Statistics:					
Vacation Ownership					
Gross VOI sales (in 000s)	$ 2,271,000	$ 2,138,000	$ 2,007,000	$ 1,960,000	$ 1,889,000
Tours (in 000s)	904	869	819	801	794
Volume Per Guest ("VPG")	$ 2,392	$ 2,345	$ 2,324	$ 2,326	$ 2,257
Exchange & Rentals					
Average number of members (in 000s)	3,847	3,799	3,852	3,831	3,765
Exchange revenue per member	$ 171.04	$ 176.74	$ 172.56	$ 173.59	$ 177.12

(a) Fiscal year 2014 does not reflect the adoption of the new accounting standard related to revenue from contracts with customers. See Note 2—*Summary of Significant Accounting Policies* to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K for additional information regarding the adoption of this guidance.

(b) Includes operating, cost of VOIs, consumer financing interest, marketing, restructuring, and general and administrative expenses.

(c) Represents the portion of gross vacation ownership contract receivables, securitization restricted cash and related assets that collateralize our non-recourse vacation ownership debt. Refer to Note 16—*Variable Interest Entities* to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K for further details.

(d) Reflects the impact of the adoption of the new accounting standards related to the presentation of debt issuance costs during 2016.

Table of Contents

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

BUSINESS AND OVERVIEW

We are a global provider of hospitality services and products and operate our business in the following two segments:

- **Vacation Ownership**—develops, markets and sells vacation ownership interests ("VOIs") to individual consumers, provides consumer financing in connection with the sale of VOIs and provides property management services at resorts.
- **Exchange & Rentals**—provides vacation exchange services and products to owners of VOIs and manages and markets vacation rental properties primarily on behalf of independent owners.

European Vacation Rentals Business

We sold our European vacation rentals business on May 9, 2018. This sale resulted in final net proceeds of $1.06 billion and an after-tax gain of $456 million, net of $139 million in taxes. We have provided post-closing credit support in order to ensure that Platinum Equity, LLC (the "Buyer") meets the requirements of certain service providers and regulatory authorities. The results of operations of this business have been classified as discontinued operations on the Consolidated Financial Statements. For further details see Note 6—*Discontinued Operations* to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

Hotel Business Spin-off

We completed the spin-off of our hotel business on May 31, 2018, which resulted in our operations being held by two separate, publicly traded companies. The two public companies have entered into long-term exclusive license agreements to retain their affiliations with one of the industry's top-rated loyalty programs, Wyndham Rewards, as well as to continue to collaborate on inventory-sharing and customer cross-sell initiatives. This transaction is expected to result in enhanced strategic and management focus on the core business and growth of each company; more efficient capital allocation, direct access to capital and expanded growth opportunities for each company; the ability to implement a tailored approach to recruiting and retaining employees at each company; improved investor understanding of the business strategy and operating results of each company; and enhanced investor choice by offering investment opportunities in separate entities. This transaction was effected through a pro rata distribution of the new hotel entity's stock to existing Wyndham Destinations shareholders. The new hotel company was named Wyndham Hotels & Resorts, Inc. ("Wyndham Hotels"). As a result of the Spin-off, we have classified the results of operations of our hotel business as discontinued operations on the Consolidated Financial Statements. For further details see Note 6—*Discontinued Operations* to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

North American Vacation Rentals Business

During 2018, the Company decided to explore strategic alternatives for its North American vacation rentals business and during the fourth quarter commenced activities to facilitate the sale of this business. The assets and liabilities of this business have been classified as held-for-sale as of December 31, 2018. This business does not meet the criteria to be classified as a discontinued operation; therefore, the results were reflected within continuing operations on the Consolidated Statements of Income. See Note 7—*Held-for-Sale Business* to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K for further details.

Tax Cuts and Jobs Act

On December 22, 2017 the U.S. enacted the Tax Cuts and Jobs Act. The new law, which is also commonly referred to as "U.S. tax reform", significantly changed U.S. corporate income tax laws by, among other changes, imposing a one-time mandatory tax on previously deferred earnings of foreign subsidiaries, reducing the U.S. corporate income tax rate from 35% to 21% starting on January 1, 2018, creating a territorial tax system which generally eliminates U.S. federal income taxes on dividends from foreign subsidiaries, eliminating or limiting the deduction of certain expenses, and requiring a minimum tax on earnings generated by foreign subsidiaries. This new law significantly impacts our effective tax rate, cash tax expenses and/or deferred income tax balances.

La Quinta Acquisition

La Quinta Holdings Inc. ("La Quinta"). In January 2018, the Company entered into an agreement with La Quinta to acquire its hotel franchising and management businesses for $1.95 billion. At the time we entered into this agreement, we obtained financing commitments of $2.0 billion in the form of an unsecured bridge term loan, which was subsequently replaced with net

cash proceeds from the issuance of $500 million unsecured notes, a $1.6 billion term loan and a $750 million revolving credit facility, which was undrawn. This acquisition closed on May 30, 2018, prior to the hotel business spin-off on May 31, 2018. Upon completion of the Spin-off, La Quinta became a wholly-owned subsidiary of Wyndham Hotels and the associated debt was transferred to Wyndham Hotels.

RESULTS OF OPERATIONS

Vacation Ownership

The Company develops, markets and sells VOIs to individual consumers, provides property management services at resorts and provides consumer financing in connection with the sale of VOIs. The Company's sales of VOIs are either cash sales or developer-financed sales. Developer financed sales are typically collateralized by the underlying VOI. Revenue is recognized on VOI sales upon transfer of control, which is defined as the point in time when a binding sales contract has been executed, the financing contract has been executed for the remaining transaction price, the statutory rescission period has expired and the transaction price has been deemed to be collectible.

For developer-financed sales, the Company reduces the VOI sales transaction price by an estimate of uncollectible consideration at the time of the sale. The Company's estimates of uncollectible amounts are based largely on the results of the Company's static pool analysis which relies on historical payment data by customer class.

In connection with entering into a VOI sale, the Company may provide its customers with certain non-cash incentives, such as credits for future stays at its resorts. For those VOI sales, the Company bifurcates the sale and allocates the sales price between the VOI sale and the non-cash incentive. Non-cash incentives generally have expiration periods of 18 months or less and are recognized at a point in time upon transfer of control.

The Company provides day-to-day property management services including oversight of housekeeping services, maintenance and certain accounting and administrative services for property owners' associations and clubs. These services may also include reservation and resort renovation activities. Such agreements are generally for terms of one year or less, and are renewed automatically on an annual basis. The Company's management agreements contain cancellation clauses, which allow for either party to cancel the agreement, by either a majority board vote or a majority vote of non-developer interests. The Company receives fees for such property management services which are collected monthly in advance and are based upon total costs to operate such resorts (or as services are provided in the case of resort renovation activities). Fees for property management services typically approximate 10% of budgeted operating expenses. The Company is entitled to consideration for reimbursement of costs incurred on behalf of the property owners' association in providing the management services ("reimbursable revenue"). These reimbursable costs principally relate to the payroll costs for management of the associations, club and resort properties where the Company is the employer and are reflected as a component of Operating expenses on the Consolidated Statements of Income. The Company reduces its management fees for amounts it has paid to the property owners' association that reflect maintenance fees for VOIs for which it retains ownership, as the Company has concluded that such payments are consideration payable to a customer.

Property management fee revenues are recognized when the services are performed and are recorded as a component of Service and membership fees on the Consolidated Statements of Income. Property management revenues, which are comprised of management fee revenue and reimbursable revenue, were $665 million, $649 million and $623 million during 2018, 2017 and 2016, respectively. Management fee revenues were $314 million, $285 million and $273 million during 2018, 2017 and 2016, respectively. Reimbursable revenues were $351 million, $364 million and $350 million during 2018, 2017 and 2016, respectively. One of the associations that the Company manages paid its Exchange & Rentals segment $29 million for exchange services during 2018 and 2017, and $26 million during 2016.

Within our Vacation Ownership segment, we measure operating performance using the following key operating statistics: (i) gross VOI sales including Fee-for-Service sales before the effect of loan loss provisions, (ii) tours, which represents the number of tours taken by guests in our efforts to sell VOIs and (iii) volume per guest ("VPG"), which represents revenue per guest and is calculated by dividing the gross VOI sales (excluding tele-sales upgrades, which are a component of upgrade sales) by the number of tours.

Exchange & Rentals

As a provider of vacation exchange services, the Company enters into affiliation agreements with developers of vacation ownership properties to allow owners of VOIs to trade their intervals for intervals at other properties affiliated with the Company's vacation exchange brands and, for some members, for other leisure-related services and products. Additionally, as a

marketer of vacation rental properties, generally the Company enters into contracts for exclusive periods of time with property owners to market the rental of such properties to rental customers.

The Company's vacation exchange brands derive a majority of revenues from membership dues and fees for facilitating members' trading of their intervals. Revenues from membership dues represent the fees paid by members or affiliated clubs on their behalf. The Company recognizes revenues from membership dues paid by the member on a straight-line basis over the membership period as the performance obligations are fulfilled by providing access to travel-related products and services. Consideration paid by affiliated clubs for memberships are recognized as revenue over the term of the contract with the affiliated club in proportion to the estimated average monthly member count. Such estimates are adjusted periodically for changes in the actual and forecasted member activity. For additional fees, members have the right to exchange their intervals for intervals at other properties affiliated with the Company's vacation exchange networks and, for certain members, for other leisure-related services and products. Fees for facilitating exchanges are recognized as revenue, net of expected cancellations, when these transactions have been confirmed to the member.

The Company's vacation exchange brands also derive revenues from: (i) additional services, programs with affiliated resorts, club servicing and loyalty programs and (ii) additional exchange-related products that provide members with the ability to protect trading power or points, extend the life of deposits, and combine two or more deposits for the opportunity to exchange into intervals with higher trading power. Other vacation exchange related product fees are deferred and recognized as revenue upon the occurrence of a future exchange, other related transaction or event.

The Company's vacation rental brands derive revenue from fees associated with the rental of vacation rental properties managed and marketed by the Company on behalf of independent owners. The Company remits the rental fee received from the renter to the independent owner, net of the Company's agreed-upon fee. The related revenue from such fees, net of expected refunds, is recognized over the renter's stay. The Company's vacation rental brands also derive revenues from additional services delivered to independent owners, vacation rental guests, and property owners' associations that are generally recognized when the service is delivered.

Within our Exchange & Rentals segment, we measure operating performance using the following key operating statistics: (i) average number of vacation exchange members, which represents members in our vacation exchange programs who pay annual membership dues and are entitled, for additional fees, to exchange their intervals for intervals at other properties affiliated with our exchange network and, for certain members, for other leisure-related services and products and (ii) exchange revenue per member, which represents total revenue from fees associated with memberships, exchange transactions, member-related rentals and other services for the year divided by the average number of vacation exchange members during the year.

Other Items

The Company records property management services revenues and RCI Elite Rewards revenues for its Vacation Ownership and Exchange & Rentals segments in accordance with the guidance for reporting revenues gross as a principal versus net as an agent, which requires that these revenues be recorded on a gross basis.

Discussed below are our consolidated results of operations and the results of operations for each of our reportable segments. These reportable segmentsrepresent the Company's operating segments for which discrete financial information is available and which are utilized on a regular basis by its chief operating decision maker to assess performance and to allocate resources. In identifying its reportable segments, the Company also considers the nature of services provided by its operating segments. The Company has updated its segment reporting during the second quarter 2018 to include Adjusted EBITDA, a non-GAAP measure, whereas in the past EBITDA was presented. Following the completion of the spin-off of Wyndham Hotels and the sale of the European vacation rentals business, management uses net revenues and Adjusted EBITDA to assess the performance of the reportable segments. Adjusted EBITDA is defined by the Company as Net income before Depreciation and amortization, Interest expense (excluding Consumer financing interest), Early extinguishment of debt, Interest income (excluding Consumer financing revenues) and Income taxes, each of which is presented on the Consolidated Statements of Income. Adjusted EBITDA also excludes stock-based compensation costs, separation and restructuring costs, transaction costs, impairments, and items that meet the conditions of unusual and/or infrequent. The Company believes that Adjusted EBITDA is a useful measure of performance for its segments which, when considered with GAAP measures, the Company believes it gives a more complete understanding of its operating performance. The Company's presentation of Adjusted EBITDA may not be comparable to similarly-titled measures used by other companies.

Table of Contents

OPERATING STATISTICS

The table below presents our operating statistics for the years endedDecember 31, 2018 and 2017. These operating statistics are the drivers of our revenue and therefore provide an enhanced understanding of our business. Refer to the Results of Operations section for a discussion on how these operating statistics affected our business for the periods presented.

	Year Ended December 31,		
	2018	2017	% Change
Vacation Ownership			
Gross VOI sales (in 000s) [(a)] [(g)]	$ 2,271,000	$ 2,138,000	6.2
Tours (in 000s) [(b)]	904	869	4.0
VPG [(c)]	$ 2,392	$ 2,345	2.0
Exchange & Rentals [(d)]			
Average number of members (in 000s) [(e)]	3,847	3,799	1.3
Exchange revenue per member [(f)]	$ 171.04	$ 176.74	(3.2)

(a) Represents total sales of VOIs, including sales under the Fee-for-Service program, before the effect of loan loss provisions. We believe that Gross VOI sales provide an enhanced understanding of the performance of our vacation ownership business because it directly measures the sales volume of this business during a given reporting period.

(b) Represents the number of tours taken by guests in our efforts to sell VOIs.

(c) VPG is calculated by dividing Gross VOI sales (excluding tele-sales upgrades, which are non-tour upgrade sales) by the number of tours. Tele-sales upgrades were $108 million and $102 million during 2018 and 2017, respectively. We have excluded tele-sales upgrades in the calculation of VPG because tele-sales upgrades are generated by a different marketing channel. We believe that VPG provides an enhanced understanding of the performance of our vacation ownership business because it directly measures the efficiency of this business's tour selling efforts during a given reporting period.

(d) Includes impact of acquisitions from the acquisition date forward.

(e) Represents members in our vacation exchange programs who paid annual membership dues as of the end of the period or who are within the allowed grace period.

(f) Represents total annualized revenues generated from fees associated with memberships, exchange transactions, member-related rentals and other servicing for the period divided by the average number of vacation exchange members during the period.

(g) The following table provides a reconciliation of Gross VOI sales to vacation ownership interest sales for the year ended December 31, (in millions):

	2018	2017
Gross VOI sales	$ 2,271	$ 2,138
Less: Fee-for-Service sales [(1)]	(46)	(34)
Gross VOI sales, net of Fee-for-Service sales	2,225	2,104
Less: Loan loss provision	(456)	(420)
Vacation ownership interest sales	$ 1,769	$ 1,684

(1) Represents total sales of VOIs through our Fee-for-Service program designed to offer turn-key solutions for developers or banks in possession of newly developed inventory, which we will sell for a commission fee through our extensive sales and marketing channels. Fee-for-Service commission revenues were $31 million and $24 million during 2018 and 2017, respectively. These commissions are reported within Service and membership fees on the Consolidated Statements of Income.

Table of Contents

Year Ended December 31, 2018 vs. Year Ended December 31, 2017

Our consolidated results are as follows:

	Year Ended December 31, 2018	Year Ended December 31, 2017	Favorable/ (Unfavorable)
Net revenues	$ 3,931	$ 3,806	$ 125
Expenses	3,408	3,367	(41)
Operating income	523	439	84
Other (income), net	(38)	(28)	10
Interest expense	170	155	(15)
Interest (income)	(5)	(6)	(1)
Income before income taxes	396	318	78
Provision/(benefit) for income taxes	130	(328)	(458)
Income from continuing operations	266	646	(380)
(Loss)/income from operations of discontinued businesses, net of income taxes	(50)	209	(259)
Income on disposal of discontinued business, net of income taxes	456	—	456
Net income	672	855	(183)
Net income attributable to noncontrolling interest	—	(1)	1
Net income attributable to Wyndham Destinations shareholders	$ 672	$ 854	$ (182)

Net revenues increased $125 million (3.3%) during 2018 compared with 2017. Foreign currency translation unfavorably impacted net revenues by $7 million. Excluding foreign currency translation, the increase in net revenues was primarily the result of:

- $141 million of higher revenues in our vacation ownership business primarily due to an increase in net VOI sales, consumer financing and property management revenues; partially offset by
- $8 million decrease in revenues in our exchange and rentals business primarily driven by lower inventory levels and a change in customer mix.

Expenses increased $41 million (1.2%) during 2018 compared with 2017. Foreign currency translation favorably impacted expenses by $6 million. Excluding foreign translation currency, the increase in expenses was primarily the result of:

- $197 million increase in separation costs related to the spin-off of Wyndham Hotels;
- $70 million of increased expenses from normal operating activities related to higher revenues; and
- $12 million of incremental costs due to acquisitions at our Exchange & Rentals segment; partially offset by
- $209 million decrease in non-cash impairment charges primarily related to the 2017 write-down of undeveloped VOI land and VOI inventory in Saint Thomas, U.S. Virgin Islands at our Vacation Ownership segment as a result of hurricanes; and
- $28 million of cost savings related to overhead and operations due to cost containment initiatives at our Exchange & Rental segment.

Other income, net of other expense increased $10 million during 2018 compared with 2017 due to a favorable value added tax refund and higher business interruption insurance claims received in 2018 related to 2017 hurricanes; partially offset by a non-cash gain related to the Love Home Swap acquisition in 2017 resulting from a re-measurement of our original investment to fair value.

Interest expense increased $15 million during 2018 compared with 2017 primarily due to an increase in the average outstanding revolving credit facility balances, a less favorable debt mix and higher interest rates.

Our effective tax rate in2018 was a provision of 32.8%. Our effective rate differs from the 2018statutory U.S. Federal income tax rate of21.0% primarily due to an increase in the valuation allowance on the Company's deferred tax assets. Our effective tax rate in2017 was a benefit of 103.1%, which differs from the 2017 statutory U.S. Federal income tax rate of 35.0% primarily due to the net benefit from the impact of the U.S. enactment of the Tax Cuts and Jobs Act.

Our results of operations reflect a negative impact from the 2018 hurricanes, Florence and Michael, and the lingering effects of the 2017 hurricane, Maria. We estimate that the 2018 hurricanes reduced revenues, Adjusted EBITDA, and net income by $23 million, $16 million, and $11 million, respectively. We estimate that hurricane Maria reduced 2018 revenues, Adjusted EBITDA, and net income by $12 million, $11 million, and $7 million, respectively.

During 2018, there was a $50 million loss from operations of discontinued businesses, net of income taxes, compared to income of $209 million during 2017. The primary drivers of the $259 million change were the spin-off of the hotel business and the sale of the European vacation rentals business in May 2018.

Income on disposal of discontinued business, net of income taxes was $456 million during 2018, representing the gain on the sale of the European vacation rentals business.

As a result of these items, net income attributable to Wyndham Destinations shareholders decreased $182 million (21.3%) as compared with 2017.